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AGRICULTURAL PRICES 1988-1989 PROPOSALS



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Explanatory memoranda

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Introduction

The conclusions of the European Council held on 11, 12 and 13 February 1988, which endorsed the Commission's overall approach outlined in its "Making a Success of the Single European Act", contribute real substance to the prospects for the achievement of a large market without frontiers.

The "1992" target is a response to two types of challenge:

- the first is that of the success of the integration process, as a condition that must be met if the Community is to make good its promises in terms of enhanced efficiency in the exploitation of its resources and thus in terms of improved competitiveness, stimulation of economic growth and job creation.
- the second challenge comes from outside; the Community must adjust, in a difficult economic context, to the changes now taking place on world markets, as a result of keener competition, the development of new technology, and the emergence of new industrialized countries.

In both cases, what is at stake, in the longer term, is the maintenance and consolidation of the ground won here in Europe in the drive to improve living standards, social equilibrium, and open relations with the rest of the world.

The two challenges concern agriculture directly, because of its importance as a source of employment, of its strategic role as supplier of food and raw materials for processors and of its direct and indirect impact on the competitiveness of the economy as a whole. The success of "1992" thus depends on the ability of this sector, as well as that of others, to make the adjustments demanded by the new circumstances, to production structures, to the organization of farms and to the management of the markets.

The role played by the common agricultural policy, which is to provide guidance and support, is, in this context, fraught with difficulty, mainly because there are so many different types of farm and different types of farming in the Community and because agriculture has so many functions in our society.

The main aims of the reform now under way are greater efficiency and improved "transparency" in the schemes being operated, but in no sense are the principles and objectives underlying the policy in any way at issue. The action being taken is in line with the true interests of the great majority of farmers, who all too often see very little of the increasingly large amounts of public money spent on the management of markets severely stressed by the generalized disequilibria in production. A fundamental point is that nearly 80% of the Community's farmers account for only about 20% of actual farm production. These farmers, many of them working quite small holdings at or near subsistence level, have little prospect of really substantial support from a policy set-up which shares out available resources largely in proportion to the total quantity each beneficiary produces.

Not only the farmers but also society as a whole would be better off with a more clearly and rationally articulated policy set-up, not only because it would offer a more sensible and equitable use of resources but also because schemes could be better targeted on goals which a growing proportion of the citizens of the Community now believe to be important, such as the balanced development of the Community as a whole, the protection of the environment, and the improvement of the quality of food.

The adjustments made in recent years, considerably improved in depth and scope following the recent European Council in Brussels, are fully in line with these considerations. For one thing, they confirm the need for a rigorous approach to the management of the market: there can definitely be no real future prospects for farmers in the Community unless better equilibrium between supply and demand is achieved. Secondly, they strengthen, to a substantial extent, that component of the agricultural policy which exerts an impact on structures. This improvement is not only a matter of more money, but is also reflected in the wider range of instruments available to the Community in this field.

In this connection, the commitments entered into for the adoption of direct aids to income, the introduction of aids to "extensified farming" and set-aside of farmland, and the "pre-pension" scheme, are particularly significant. These instruments, combining with recent improvements in the arrangements to assist less-favoured and mountain and hill areas and the introduction of new regulations accommodating environmental problems, constitute an approach going well beyond needs or aims relating directly to production. All the schemes being adopted and activated highlight the importance of the contribution agriculture now has to make to the maintenance and development of rural society as a whole.

Thus, Community farmers now have a reference framework and a support structure better adapted to the present economic and social context. The reform of the structural funds and work, now being completed, on the future of rural society will help to give the general approach more depth and improved internal consistency. This framework constitutes the foundation upon which are built the proposals for prices and related measures for 1988/89.

1. GENERAL CONSIDERATIONS

I. General economic situation

1. Economic activity began to pick up in 1987, but the movement lost momentum in the absence of lasting solutions to the trade and budgetary disequilibria, which were undermining confidence on the financial markets and the exchanges. Thus, gross domestic product in the Community is now expected to show growth of only about 2% on average in 1988, half a percentage point below that for 1987.

As in 1986 and 1987, the growth of internal demand is expected to outstrip that of GDP. Imports from outside the Community, in terms of volume, should therefore increase, while exports will probably show little change.

2. This casts a shadow over the outlook for the labour market. It is true that in 1987 moderate growth generated more than 1.1 million additional jobs (0.9%). But this meant only a marginal reduction in unemployment, still running at about 11.5% of the labour force. In 1988, the slow increase in employment should continue (about 0.7%), i.e. at a rate far below that needed to eliminate a significant proportion of unemployment (more than 16 million job seekers in December 1987).
3. Inflation continued to decline; however, the downward pressure on general prices of the reverse oil shock of 1985 and 1986 gradually eased when the prices of crude recovered and then stabilized. For 1988, it is expected that the average rate of inflation (GDP deflator) will remain much the same, running at 3.9%, which is in fact the lowest figure for 20 years.

Inflation rates should not exceed 3% in Germany, France, the Netherlands, Belgium, Luxembourg and Ireland, are put at between 4 and 6% in Italy, the United Kingdom, Denmark and Spain, but will reach about 9% in Portugal and more than 15% in Greece.

II. Agricultural situation

4. After the long period of sustained expansion through the sixties and seventies, farmers in most of the main producing countries have, in recent years, suffered the effects of growing disequilibria on both Community and world markets for the main agricultural items.

The agricultural markets have deteriorated to such an extent that not even a steady and heavy increase in the public funds appropriated in support has sufficed to remedy the situation.

Those framing the agricultural policies have had no choice but to yield to inevitable change, by seeking out ways and means of restoring better equilibrium between supply and demand without abandoning the farm sector to the unbridled play of the laws of the market. In this context, the value of international consultation and agreement on action to eliminate disorder on the world markets has become increasingly obvious.

5. Community agriculture is not immune to the difficulties attendant upon the present phase of development of agriculture in most industrialized countries. The tendency for incomes to stagnate or even actually decline on many farms, after the steady progress achieved in the sixties and the early seventies, is evidence enough of the economic constraints farmers now have to contend with. The deterioration in the general economic climate has also inhibited the drift from the land and structural adjustment, which were largely responsible for the sharp increase in incomes previously achieved.

What is now needed is a new model of development more closely related to actual market conditions and enabling farmers to enhance efficiency without a disproportionate increase in the actual volume of output. The change required cannot be implemented easily and cannot be implemented overnight; obviously it must be supported and encouraged by the authorities, but success will depend essentially on the drive, spirit of initiative, and flexibility of the farmers themselves.

This is the background against which the changing agricultural situation in 1987 must be seen.

6. In that year, European farmers again enjoyed, though to a lesser extent than in 1986, lower production costs, and in particular lower prices of inputs more directly affected by changes on world markets (mainly energy, fertilizers and feed).

Intermediate consumption prices taken as a whole are thought to have declined by an average of 1% in nominal terms and of 4.9% in real terms for EUR-11 (i.e. not including Portugal). Above-average reductions were recorded for feed (- 5.8% on average, in real terms), energy (- 8.1%, in real terms) and fertilizers (- 11.7%).

Here it is important to bear in mind the wide differences from one Member State to another as regards annual changes in the prices of inputs, which partly account for the differences in changes in farm incomes. Thus, for example, in 1987, energy prices declined in real terms by more than 20% in the Netherlands, by 12% in Italy but by only 4% in France; fertilizer prices fell in real terms by about 20% in Ireland and Belgium, by about 14% in France, the Netherlands, Denmark, the United Kingdom and Germany, but by only 6% in Italy. In Greece, the prices of fertilizers actually increased (by 2.3%) in real terms. There was a similar pattern for feed prices, which fell by 10% in the Netherlands, Denmark and Germany but by only 4 to 5% in Italy, Greece and the United Kingdom. These disparities partly reflect differing rates of appreciation of the various currencies vis-à-vis the dollar.

7. But as production costs declined, farmgate prices also deteriorated, though to varying extents, not only in real terms, but often in nominal terms as well. A number of factors were involved: firstly, the structural surpluses that had built up for most main items; secondly, the slowdown in inflation in the economy in general and the modest increases in official EEC prices for farm items in recent years. Lastly, the volume of production, generally high both in 1986 and 1987, and the quality of the harvests, in some cases quite poor, helped further to impair the markets for certain products. The sharpest farmgate price reductions (in nominal terms) were for pigmeat (- 11.5%, on average), potatoes (- 9.8%), industrial crops (- 6.8%), poultrymeat (- 4.8%) and cereals (- 3.5%). In contrast, prices for milk, veal and vegetables held up well in comparison with 1986.

On average for EUR-11, farmgate prices declined in 1987 by 4.6% in real terms, i.e. at a rate a little lower than the rate of decline of prices of inputs. But the situation was far from uniform from one Member State to another, mainly because of the differing patterns of production. In Belgium, France, Italy, Denmark and Spain, the decline in farmgate prices was above average. The Netherlands and the United Kingdom were the countries in which prices declined least. In Ireland, prices received by farmers were actually higher, in real terms, than in 1986.

A comparison of the change in farmgate prices with that in input prices shows that for the second year running the "input/output squeeze" eased in most Member States, except in Italy, France, Spain and Denmark. However, because the cost of inputs is only part of the value of final agriculture production (42% on average, ranging up to about 50% in some Member States), falling input prices generally failed to offset the damage done to incomes by the erosion of farmgate prices.

8. It is important, in this connection, to remember the role played by the level and composition of costs (inputs, depreciation, wages, interest, etc.) in farm income changes from year to year. The share in final agricultural production of costs is variable from Member State to Member State, and the impact on income of any given change thus also varies widely; for example, a 1% reduction in input costs taken as a whole, other things being equal, yielded an increase in net value added at factor cost ranging, in 1987, from 0.3% for Greece to 1.5% for Belgium and Germany and an increase in net farm income (after deduction of wages, interest and rents) ranging from 0.4% for Greece to 3.3% for Denmark. This factor was of special importance for 1987, given the wide discrepancies between Member States in the changes in input prices already mentioned: a calculation, as an example, of what would have been the impact on farm incomes of a reduction in the prices of energy, fertilizers and feed, equivalent, in real terms, to the reduction in the Netherlands in 1987 (- 12.7% on average) compared with the actual figures recorded, reveals a positive and substantial effect on incomes for most Member States. Net value added at factor cost would increase by 1.8% for Italy, 2.2% for France, 2.5% for Germany and 3.6% for Spain (i.e. nearly 50% more than the actual rate of increase). The effect of such a decline in input prices would be even more marked when expressed in terms of net income (3.3% more for France, 4.2% for Germany, 4.4% more for Italy and 5.6% more for Spain).

A last point is that because of the large share accounted for by certain types of cost in the value of final production, farm incomes in certain Member States are particularly sensitive to changes (in either direction) in the various parameters determining income formation. As a result, farm incomes fluctuate widely from one year to the next in response to quite small changes in quantities or prices.

This is true, for example, for Germany, where depreciation accounts for a large proportion of the value of final agricultural production (about 18%), Denmark (where interest charges account for more than 15% of the value of final production, i.e. more than 40% of net value added at factor cost), Italy, where wages account for an exceptionally high proportion of the value of final agricultural production (more than 21%, i.e. about 40% of net value added at factor cost), and, for the same reason, the United Kingdom (where wages are 17% of the value of final agricultural production and almost 35% of net value added at factor cost).

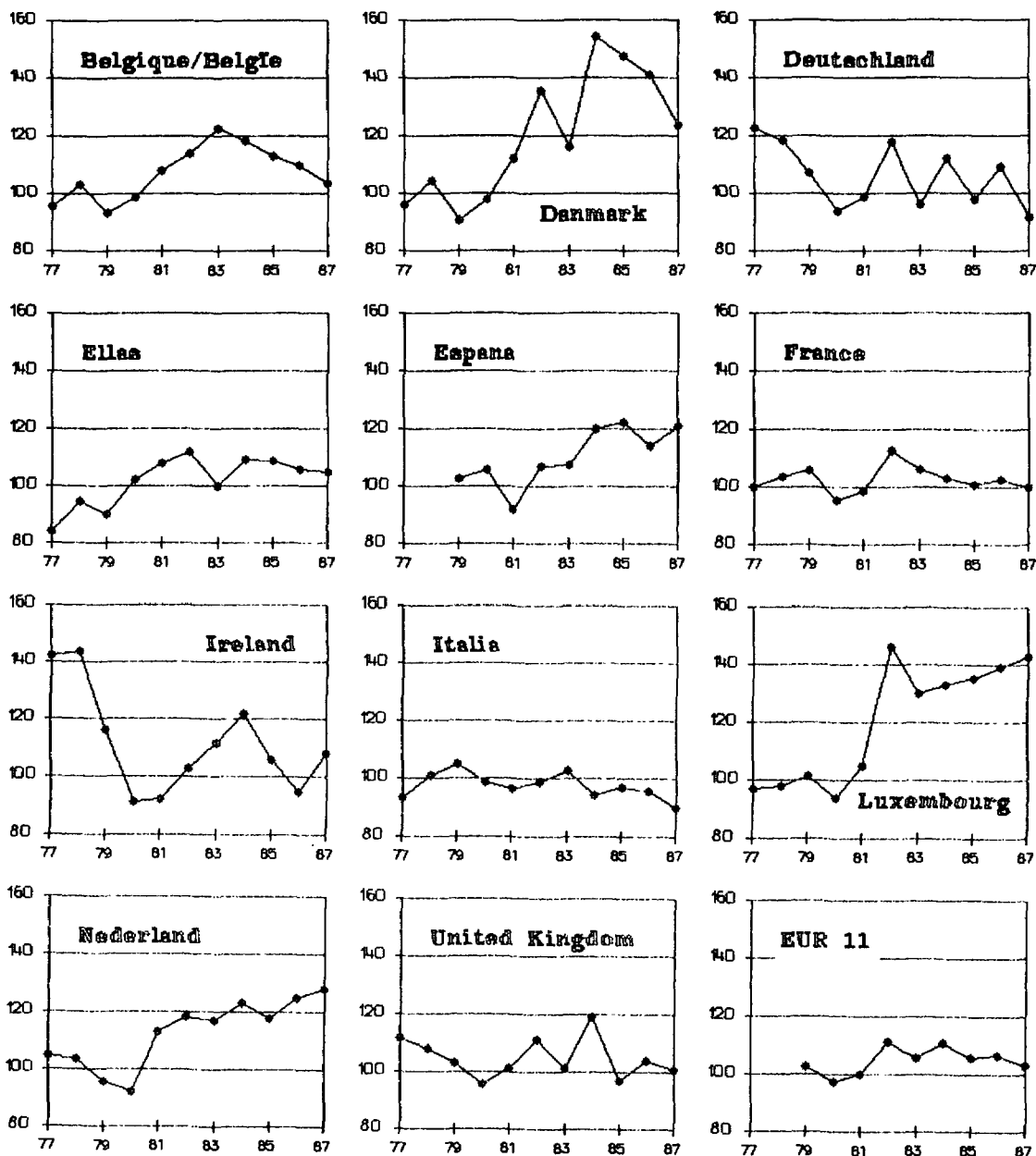
9. Another fundamental factor governing developments in 1987, which is also quite closely linked with changes in farmgate prices, is the level, and sometimes also the quality, of production of the various items. In general, the volume of production of most items either matched or was well up on that for 1986, except for milk, beef/veal and beet. In particular, it is estimated that total production of cereals was much the same as in 1986. But weather unfavourable to cropping severely impaired quality in the northern regions. On the other hand, production of oilseeds soared, partly on land taken from cereals, increasing by about 43% over the figure for 1986. The output of protein plants is also rising rapidly, being up 30% on that for 1986. Conversely, meat production declined, but the drop in deliveries still fell short of what would be needed to keep output within the limits of the maximum guaranteed quantities. Production of beef/veal fell a little short of that for 1986, but that of sheepmeat, pigmeat and poultrymeat showed gains.
10. It is the combination of these factors which accounts for changes in farm incomes in 1987 in the various Member States and according to types of farming.

Estimates made by the Commission at the end of February 1988, on the basis of figures sent in by all the Member States except Portugal, indicated that net value added at factor cost per work unit declined on average by 3.5% in real terms in 1987, contrasting with an increase of 1% in 1986 over 1985.

Depending on the Member State, the estimates show either a distinct improvement in farm incomes in real terms (Ireland, Spain, Netherlands and Luxembourg), a very marked deterioration (Germany, Denmark, Italy and Belgium), or little change or more modest losses as compared with 1986 (France, United Kingdom and Greece).

Net value added⁽¹⁾ per person employed in agriculture⁽²⁾

" 1980 " ⁽³⁾ = 100



(1) At factor cost in real terms, adjusted on the basis of the GDP deflator

(2) Based on the number of work units

(3) Average for 1979, 1980 and 1981

Source : EUROSTAT - Sectoral income index

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These figures must, however, be related to the figures for income developments in previous years (see Chart 1) and, in particular, for 1986 as compared with 1985. For instance, in Germany, the estimated reduction for 1987 follows a distinct increase in 1986 over 1985. The same is true for the United Kingdom and France. On the other hand, the definite improvement in farm incomes in Ireland in 1987 follows up heavy losses in 1986. The estimates indicate that for the second year running farm incomes declined in Denmark, Italy and Belgium, while they continued to increase in the Netherlands and Luxembourg. In Greece, stability in 1987 followed a slight decline for 1986.

Observation, however, of the net income of the farmer and his family (i.e. the income remaining after deduction of wages, interest and rents), shows a more marked reduction in 1987 (- 5.1% on average in real terms), although this follows an increase of 3% on average for 1986.

11. Tentative estimates of income changes according to type of farming on commercial holdings, established on the basis of an updating of the latest figures from the FADN (Farm Accountancy Data Network), show that almost all types of farming suffered a decline in incomes in 1987, except those specializing in horticulture and fruit and permanent crops. For the Community as a whole, livestock production, especially holdings specializing in beef/veal and pigmeat, was the sector in which the reduction were most marked. However, farmers specializing in the main open-field crops also suffered heavy losses. In the dairy sector, incomes probably also declined, after a modest increase in 1986, in almost all the Member States.

As in previous years, the Commission will be releasing in March 1988 a detailed report, based on the latest available estimates, on changes in farm incomes in 1987 and over the last 10 years in the various Member States.

III. Intervention stocks

12. Using the financial facility introduced early in the year and other arrangements, the Commission pursued in 1987 its efforts to relieve pressure on the butter markets. During the first nine months of the year, disposals from public storage totalled 594 000 tonnes - 269 000 tonnes for export, 123 000 tonnes for use as animal feed and 21 000 tonnes for schemes for consumers. Including additional quantities negotiated at the end of the year with a view to export to the Soviet Union and other schemes carried out in respect of 1987, efforts to scale down stocks for 1987 in this sector covered more than 800 000 tonnes.

The results of these operations are, however, not yet entirely apparent as regards stock levels themselves, as actual deliveries have been staggered over a number of months. Nonetheless, intervention stocks fell from 1.3 million tonnes at the end of 1986 to 860 000 tonnes at the end of 1987 and 724 000 tonnes by the end of February 1988.

A contribution to this has also been made by the new arrangements made with a view to discouraging very heavy sales to intervention and thus curtailing the reconstitution of new stocks. Here, in accordance with the regulations adopted, the Commission used its power to stop buying in of butter as soon as the quantities offered to intervention, from 1 March 1987 onwards, exceeded 180 000 tonnes.

This limit was reached in June and permanent buying in was suspended and replaced by a tender award system which was very effective in restricting quantities accepted.

As for skimmed-milk powder, a sharp contraction in offers to intervention during the summer (remaining well below the threshold of 100 000 tonnes set by the Council for the temporary suspension of buying in) and the suspension of intervention during the winter meant that in 1987 only 60 000 tonnes were bought in, i.e. less than one tenth of the quantity taken over in 1986, and of this quantity only 5 418 tonnes were offered after 1 March. Accordingly, intervention stock levels declined appreciably in 1987 (from 855 000 to 600 000 tonnes between the end of 1986 and the end of 1987), and in the early months of 1988 (469 000 tonnes by the end of February 1988).

13. In contrast with milk products, the results for beef/veal were very disappointing in 1987, especially as regards quantities offered to intervention: despite new facilities set up, in parallel with those introduced for milk products, with a view to restoring to intervention its original function as a "safety net", it is a fact that the new mechanisms are losing their effectiveness in a situation in which farmgate prices have remained very depressed. Despite the new arrangements, putting an end to permanent open-ended intervention for beef, what happened was that not only were the conditions forcing the agencies to buy met as soon as the new arrangements were activated and then until the end of the year, but sales to intervention were even as heavy as in 1986 (i.e. more than 550 000 tonnes). Public stocks, which, in January 1987, reached their lowest point for more than 3 years, then steadily increased to beyond 750 000 tonnes by the end of December 1987, i.e. nearly 200 000 tonnes more than at the end of January.

The accretion of stocks was also partly due to the situation as regards exports, which, while fairly satisfactory, failed to match the record figures achieved in 1986.

Accordingly, in an effort to reduce the cost of disposing of stocks, the Commission decided at the end of the year that only forequarters would be bought in, these being less costly than hindquarters. This decision had only a very limited impact on the market prices, and consequently on farm incomes, as, since mid-November 1987, market prices have shown a relatively stable trend, and even modest increases in certain Member States. By the end of February 1988, public stocks of beef were still running at about 750 000 tonnes.

14. Intervention stocks of common wheat declined appreciably: by 4.8 million tonnes from the end of 1986 to the end of 1987. This is due partly to a special drive to cut stocks, both on the internal market and on world markets, and to a sharp reduction in quantities sent to intervention, due to the relative decline in output levels and tighter rules on buying in. On the other hand, durum wheat stocks rose sharply to exceed 1.4 million tonnes by the end of December, i.e. 30% more than at the same time in 1986. Barley and rye stocks remained at relatively high levels in 1987, although there were signs of a downward movement in the later months of the year (3 million tonnes and 750 000 tonnes respectively in store by the end of 1987).

It should also be noted that olive oil stocks were also heavy (300 000 tonnes at the end of 1987) and that stocks of alcohol from the distillation of surplus wine steadily increased (from 3.4 m hl at the end of August 1986 to 5.9 m hl by the end of August 1987).

Changes in public stocks from 1983 to 1987 are shown in Tables 7 and 7b annexed. The trends reveal that over this period, after an increase as far as the end of 1986, the value of stocks began to decline in 1987, a move which should gather sharp momentum in 1988.

The increase in value from 1983 to 1986 reflected not only an increase in quantities but also the fact that, for lack of appropriations, there could be no systematic stock depreciation policy.

But at the end of 1988, the situation will be considerably improved in two respects:

- as regards the quantities, the butter disposal programme executed in 1987 and 1988 (1m tonnes, costing 3 200m ECU) will be completed;

- as regards the book value of the stocks, this will have been reduced by two depreciations. The first was carried out on 1 March 1988 (a depreciation of 1 240m ECU). The second may be executed as soon as the budget has been adopted with the additional appropriations of 835 million ECU entered in the draft budget.

15. The Commission believes that unless the pressure on the markets formed by existing stocks is relieved and a renewed build-up is avoided, not only will the reform of the CAP fail but it will also prove impossible to restore sound conditions on the markets on a lasting basis and give agricultural activity a more healthy operative foundation, indispensable if it is to be competitive in the long term. A solution to the problem of the stocks is therefore not only a financial imperative, but also, and first and foremost, an economic goal. As has been shown above, for several products, special efforts and considerable progress were made in 1987 to lighten the "cost of the past". The drive will go on in 1988. But there is no room for complacency as regards achievements, since the volume of production is still increasing, and the only acceptable approach is to pursue with determination the reforms needed to control output and expenditure for all products. Without such action, not only would public stocks rapidly climb back to their old levels, but formidable amounts of money would have been wasted without any lasting improvement in the conditions in which farming is carried out in the Community. The gravity of the situation as regards the markets for certain products and the need to find a cure which tackles the causes and not only the effects are, perhaps, even more clearly discernible if the disproportionate role now played by support measures introduced under the CAP is borne in mind.

Sufficient evidence of this is provided by a comparison of the quantities attracting support from the EAGGF Guarantee Section - year after year - with the quantities available (production plus stocks) (see Tables 8 to 13 annexed). Here, the Commission's estimates indicate that for certain products, including butter and skimmed-milk powder, quantities disposed of unsubsidized are often only a quite small proportion of production: for butter, the quantities subsidized represented about 65% of total supply in 1983, 46% in 1984, 45% in 1985 and 35% in 1986. For skimmed milk, about 65% of production is subsidized. For beef/veal, the quantities assisted by the EAGGF (public intervention and exports) were 11% in 1982 but more than 21% of supply in 1986. For common wheat, the quantities subsidized represented nearly a quarter of total supply in 1985 and only a little less than 20% in 1986. Subsidized table wine ranges from 23% to 50% of supply, depending on the year.

IV. Outlook for the agricultural markets

Community markets

16. The decision on the agricultural policy measures which are needed to restore sound conditions on the agricultural markets must be framed not only in the light of the present situation on the markets and current developments but also in that of the medium-term outlook both for the Community and as regards world markets. Only if the problems are seen in this context can trends in recent years be assessed properly and the tenuous progress made so far be judged realistically. For this purpose, the Commission has worked out production and consumption forecasts up to and including 1993/94 for the main items, of which a summary is given below. A more detailed review of the situation of the markets in recent years is given in the Commission's 1987 Report on the situation on the agricultural markets (COM(87)621 final). The Commission has also published, in conjunction with its Twenty-first General Report on the Activities of the European Communities, the 1987 Report on the Agricultural Situation in the Community.

As in previous years, the Commission has used various methods to establish forecasts as regards the agricultural markets. In general, the forecasts are not mere extrapolations of past trends but also allow for recent and foreseeable developments in productivity, in the competitive situation as regards any given product vis-à-vis the others, in trade and in internal utilization. The Commission has also borne in mind probable population changes and developments in the general economy.

As regards the agricultural policy, only the regulations now in force are included in the calculations. Thus, the results do not necessarily reflect the most probable situation as far as 1994, but only the foreseeable situation should no changes be made to the legislation as it now stands. This point is more important this year than in the past: when the forecasts were worked out, no account was taken of the decisions following up the European Council held in Brussels on 11, 12 and 13 February. In particular, the estimates ignore arrangements to tighten up budgetary discipline, the more general and stricter application of agricultural stabilizers, and the activation of schemes such as set-aside of farmland and the premium for farmers leaving the land. This group of schemes may well lead to substantial changes in the trends now recorded, but these trends are still of interest as a point of reference from which to assess the progress which will be made along the road to better equilibrium between supply and demand.

The production and consumption forecasts have been made for the Community of Twelve wherever long statistical series of reasonable homogeneity were available.

17. For crop products, the forecasts can be summarized as follows:

- without the action taken by the European Council in February 1988, and in particular without the stabilization mechanisms, the production of cereals could well have reached 186 million tonnes in 1993/94 (about 33 m tonnes more than in 1987), as a result of increasing yields. Also, overall internal utilization, which is now running at about 150 million tonnes, could well decline, if only because of the effects of reduced consumption as feed;
- the foreseeable development in the output of sugar will be influenced, more than in the past, by world prices and by the scope and cost for producers of disposal of quantities exceeding the quotas. Accordingly, it may be expected that total production of sugar will either mark time or show only a very slight increase. Because of the increase in yields, this should, however, mean a decline of up to 10% in areas used. Total demand for sugar should increase a little between now and 1994;
- as regards oilseeds, it was decided, following the European Council held in February 1988, to tighten up the arrangements concerning maximum guaranteed quantities for this product group, and this should help to bring down output, which has soared in recent years. Without such action, overall production of oilseeds by 1994 may be put at about 17 million tonnes, i.e. about 5 million tonnes more than the 1987 record harvest.
- the outlook for the production and consumption of wine by 1994, assuming no changes in current regulations or in past trends, points to a structural surplus of 58 million hl, i.e. more than 25% of foreseeable production and 40% of production of table wine;
- as regards tobacco, production has increased over the last 10 years at an average rate of about 1% per year. If this growth rate were to continue, Community leaf tobacco production could well reach 455 000 tonnes by 1993/94 (i.e. about 55 000 tonnes more than at the present time). However, as both production and areas planted have tended to decline in recent years, the actual forecast is about 420 000 tonnes.

18. For livestock production, the forecasts can be summarized as follows:

- the Council has decided to retain the milk quota scheme until 1992 and it may be expected that milk deliveries will tend to stabilize at about 97 million tonnes from 1989 onwards, i.e. a volume of about 14 million tonnes below the notional level for 1992 derived from the extrapolation of the trends before the introduction of the quotas in 1984. On the demand side, overall consumption may be expected to mark time at about 90 million tonnes given the net impact of the declining consumption of butter and an increase in the consumption of cheese;
- for beef/veal, it is expected that production will be running at about 8.1 million tonnes by 1994, with consumption a little over 8 million tonnes;
- production of pigmeat should reach 13.6 million tonnes by 1994, i.e. rather more than consumption (13.3 million tonnes).

World markets

19. In the early 80s, world agricultural markets were deteriorating, in sharp contrast with the buoyant conditions which had obtained in the 70s. But in 1987, the downward movement in world prices came to a halt, and there was even a recovery, though for some products it was not strong. But (barring an unforeseeable development) the new trend is unlikely to prove vigorous in the near future, because heavy stocks and enhanced productivity will go on tending to boost supply and there is no reason to predict sharp growth in effective demand.

It is very difficult to give a reliable medium-term forecast for world agricultural markets, given the wide range of events by which they could be influenced. Factors generating uncertainty include changes in agricultural policies pursued by the various countries, the possibility of short-term agreements in the context of the multilateral GATT negotiation, interest-rate movements and the debt burden borne by the developing countries.

None the less, the situation of the outlook for the world markets for the main items can be summarized as follows:

20. World trade in cereals has been declining in the last few years, and fell by 10% between 1984 and 1987. An important factor here is the cut-back in purchases by the Soviet Union. The heavy stocks which have built up (about 22% of annual consumption) cannot be worked down quickly, as effective demand is limited. Demand from the Soviet Union

will remain a crucial factor on the world market, but it is not easy to predict how this parameter will change in coming years. Only a few developing countries would be in a position to step up their demand. Improved prospects for control of supply in the grain-growing countries could therefore be offset by stagnating, or even declining, demand on world markets. This situation holds out little hope of a strong recovery in world prices in the medium term.

21. The world market for sugar is in a phase of overproduction and high stocks keeping world prices (around 7 to 9 cents per pound of raw sugar) down to about half the production costs of the most efficient growers (Australia, southern Africa). The main causes are clearly discernible: consumption is marking time in the developed countries because of a substitution effect (isoglucose in the United States) and of the use of low-calorie sweeteners, many importing developing countries are short of foreign exchange, and the main exporting countries have not cut back their production capacities firmly enough.

With world stocks as they are (34 million tonnes, i.e. nearly 32% of world consumption), no kind of lasting recovery in the immediate future can be expected, nor will this be the case until a "normal" stock level of about 27 million tonnes is achieved: the price of 10 cents/pound, matching the marginal cost of the most efficient producers would seem, at the present time, to be a limit beyond which prices will not rise for some time.

In the medium term, however, there may be a modest recovery if the trend reversal which occurred two years ago were to continue. The period of heavy sugar surpluses now seems to be over and progress is being made towards an equilibrium in world production/consumption which had been upset by the recent start-up of production at many units planned in the 70s.

22. The oilseeds market is the market the future of which is most difficult to predict. At the present time, world production and stocks are tending to decline. Prices have recently hardened and there is an optimistic outlook for the short term because of incidental occurrences (drought in India) and growing consumption in certain importing countries.

But for the medium term, predictions must be more guarded. For other agricultural products, the disinvestment stage has now been reached, but this would not seem to be the case, as yet, for oilseeds (growth in the EEC, Malaysia and Indonesia). Oilseed cake had long been the lead market for oilseeds, but the trend seems to have changed direction. The driving market is now that for oil, and demand for oilcake is now marking time, inhibited by keener competition from other products used for animal feed.

Consumption of oils is growing (India, North Africa, Soviet Union). None the less, by the end of 1987, stocks were running at the equivalent of 15% of world consumption. But consumption is sensitive to changes in incomes in the developing countries, so that general economic conditions will be particularly important for the oilseed market in coming years. The optimism that may be justified for the short term must be tempered by the implications of production growth potential for the medium term.

23. Milk production eased down in 1987 in a number of important dairy countries (EEC, Japan, USA) because of restrictive policies implemented. The question that arises is whether these policies will be pursued, notably in the United States, where production could well rise again very rapidly if feed prices remain competitive (industrial livestock farming shifting closer to the main consumption areas) and if the use of hormones (somatotropin) increases. Even without hormones, most dairy countries have a great deal of scope for improving productivity. Also, some deficit countries are endeavouring to improve their self-sufficiency (USSR, India), and this could encroach a little further on the world market demand. Even if there is disinvestment, the dairy sector will probably still be disturbed in coming years, as it is caught between rapid technological progress, highly flexible production and the slow growth of consumption. Not all dairy products will be equally affected: the main item the supply of which will exceed demand is butter.

24. At the present time, as regards the beef/veal market, herds are being built up again and slaughtering has therefore been on a downward trend. As a result, prices started moving up again a year ago and the price of meat from Argentina, one of the key parameters on the world market, has made marked gains. This benefits the Community, where cattle numbers are dropping sharply.

On the other hand, the early 90s, i.e. when herds in the main exporting non-member countries will start production, will see the beginning of a difficult phase, especially as the pressure of other types of meat (notably poultrymeat) is not negligible. But developments on the beef/veal market will remain dependent in part on the situation in the dairy sector, as cull cows account for 30% of meat production at world level.

V. Price proposals and related measures for 1988/89

General

25. Developments in the general economic situation and in agriculture confirm the trends already discerned by the Commission in previous years, and indeed in some cases these trends have proved sharper than anticipated.

The supply of agricultural products is increasing faster than effective demand, the build-up of surpluses brings with it mounting storage and disposal costs and is forcing upon the Community increasingly difficult choices as regards the use of available budgetary resources. The demand/supply imbalance is also affecting farmers' incomes and our relations with non-member countries.

The situation has deteriorated so far that total public resources spent on agriculture through the Community and national budgets have reached a level which, even not counting social security transfers, is now practically equivalent to the net income of the sector. At the same time, despite the sharp increase in production and the exponential growth of agricultural expenditure, value added in the agricultural sector has declined in real terms and per capita incomes are tending to mark time. The indicators in Table No 6, annexed, illustrate clearly this phenomenon.

As the Commission has often stressed, this is due to the fact that a growing proportion of the resources theoretically intended to support agriculture in fact goes directly to the consumer and to the Community's processors - when they are used for aids to promote disposal on the internal market - or to importing non-member countries - where the funds are spent in the form of export refunds.

In the present situation as regards the economy and the markets, to continue along the road followed in the past would be in the interest neither of the farmers nor of the taxpayer.

Nor can any policy, if it is to be successful, be developed properly unless certain constraints - especially economic and budgetary constraints - are complied with.

26. The Community has therefore pursued the process of adaptation of the instruments of the common agricultural policy to changed circumstances. The action now started at Community level is designed to stimulate those adjustments which will, as time goes on, serve to eliminate market disequilibria and then enable the Community to achieve control of budgetary costs. Because the internal market and the world market interrelate, the action taken, in particular as regards control of the budget, can be fully successful only if sound conditions are restored on the world market as well, which means that all the main producing non-member countries must make a balanced contribution to the efforts to be made to achieve this objective.

At the same time, the Community's approach is designed to vary the socio-economic impact of the measures adopted so as to avoid unacceptable hardship for those farmers whose holdings are small, located in areas where nature is hostile, and who are undercapitalized, often hopelessly so, and to allow for the role agriculture can play in the protection and development of rural society.

27. The policy on prices and the markets retains a central function as the key to the process of rationalizing the sector: it is this policy which sets the framework to which farmers refer when making their decisions. In this context, the generalized use of "stabilizers", which takes the form of thresholds expressed in physical terms and of certain built-in mechanisms for the adjustment of market measures, has a number of objectives:

- it is a method of extending farmers' co-responsibility to the management costs generated by excess supply on the markets and thus of increasing their awareness of the problem;
- it gives farmers guidance as to the foreseeable trend over a number of years of the price of any given product;
- it enables a more reliable budgetary reference framework to be defined, at least in so far as it reduces uncertainties as to the future volume of production within the Community.

Nor should it be forgotten that the gradual restoration of sound conditions on the markets is not only a proper response to the justified call for more rational use of available resources but also constitutes a condition that must be met if farmers' incomes are to be improved on a lasting basis.

28. The introduction of the stabilizers is not inconsistent with the Community's determination to achieve the objectives sought in the multilateral negotiations started in GATT: the levels agreed when the quantitative thresholds were defined allow for the share won by the Community on the world market, and, for cereals, for the impact of substitutes imported at nil duty.

The introduction of these mechanisms strengthens the Community's hand: they enhance its credibility, and, as a device which will allow a more rational management of the markets, they will ensure increased availability of budgetary resources to defend positions won on the world market against the aggressive trading policies of some other countries.

29. Retention of the milk quota scheme and the introduction of a scheme for set-aside of farmland, as adjuncts to the policy on prices and markets, should prove useful as transitional measures. But if disappointments are to be avoided, it would be wise to accept a realistic assessment of the advantages and limitations of these devices; in particular, it would be quite wrong to argue that they can make a substantial contribution to restoring sound conditions on the market, reducing budget costs and improving farmers' incomes. The manifest danger of

"renationalization" inherent in the abuse of these instruments also means that the greatest prudence must be exercised as regards any proliferation of their deployment. Their contribution may well be a valuable one in the present phase of the adjustment process, provided always that they are not seen as a means of inhibiting the integration process or delaying changes which must be made if agriculture in the Community is to compete more effectively.

The same applies for direct aids to income, which are not intended to replace the socio-economic policy but which may well prove valuable as "shock absorbers" for certain categories of farmer until such time as the adjustments facilitated by schemes in the area of policy on structures can provide a more effective and lasting response to this need.

30. This is the setting for the policy study now being carried out on the future of rural society. One need is to verify carefully the mutual consistency of Community policies in order to ensure that guidelines adopted, notably under the common agricultural policy, make proper allowance for problems in rural areas and the many roles these areas have to play in society today. Another aim of the exercise is to establish a framework for Community action and to mobilize both Community and national budgetary resources that can be used to stimulate and coordinate initiatives at local level.

In particular, there is a need to offset the reduced economic contribution from farming, at least in certain regions, and to ensure that other activities, for which there is a real future, can compensate for this loss. It will also be important to enhance awareness of the role the agricultural sector has to play in fields other than that of production, such as regional development or the protection of the environment.

31. The economic and budgetary context and its implications for agriculture more than suffice to account for the Commission's reluctance to embark upon any action designed solely to mask the effects of certain problems rather than to tackle their causes. In particular, a proliferation of schemes the purpose of which is to develop subsidized, and thus artificial, outlets, often seen as the solution to the problem of the surpluses, could only serve to siphon off, largely for the benefit of industries other than agriculture, resources, necessarily limited, available for the support of farmers' incomes. This was why the Commission felt it could not propose an aid scheme for bio-ethanol for use as fuel. Motivated by economic considerations which are hard to refute, this decision must not be interpreted as betraying a lack of interest in research into alternative uses of land and new outlets for agricultural products. Many recent initiatives, the latest of which has been the proposal for the multiannual "ECLAIR" technological research and development programme, designed specifically to develop close cooperation between agriculture and industry, are clear evidence

to the contrary. Also, the Commission will be laying before the Council in the very near future a Communication, with proposals, for the establishment of a Community forestry programme; this will give special attention to the problem of cork. The Commission is planning to pursue and even step up its drive to promote the non-food use of agricultural raw materials, but always bearing in mind the need to ensure economically sound use of resources; this will be the approach behind the proposals and priorities requested by the European Council held in Brussels.

32. A last point that may be mentioned is that the Commission, as it has already stated on several occasions, is always prepared to support any initiative taken by the farmers or their associations or federations for the establishment or improvement of infrastructure or services supporting farmers in their operational choices: such infrastructure and services are of capital importance at a time when, as now, the aim is to adapt to far-reaching changes in market conditions. This is the context within which the Commission has undertaken to draw up a report on "inter-branch" agreements in agriculture (farmers, distributors, processors), the conclusions from which it will lay before the Council in the next few weeks. The Commission is also planning to support the efforts farmers are making to adapt production to demand, in particular by the improvement of quality. Thus, it is considering the proposal of a framework regulation concerning organic farming designed to support consumers' and producers' interests.

33. The above considerations form the background to the Commission's proposals for 1988/89, and the proposals therefore reflect the analysis presented above. As usual, they have three main chapters:

- the common prices,
- the related measures,
- the agri-monetary measures.

(a) the common prices

34. Market conditions as described briefly in the preceding chapter justify pursuit of the restrictive policy on prices introduced a number of years ago. This policy is reflected not only in common prices set nearer to market realities but in related measures and agri-monetary proposals which are also consistent with the objective pursued.

As regards the common prices, the Commission takes the view that for most of the products it should propose the maintenance unchanged or a reduction in the prices set for 1987/88. For Spain and Portugal, the proposals are established in the light of the requirements of the Act of Accession.

		%
<u>Cereals</u>	Common wheat of bread-making quality:	intervention price 0
	Common wheat for use as feed, barley, sorghum and rye:	intervention price 0
	Maize:	intervention price 0
	Durum wheat:	intervention price -5,23 production aid 12,52
	Special increase:	common wheat of bread-making quality 0 rye of bread-making quality 0
<u>Rice</u>	Intervention price for paddy rice	0
<u>Sugar</u>	Basic price for sugarbeet	0
<u>Olive oil</u>	Target price	0
	Intervention price	0
	Production aid	0
<u>Oilseeds</u>	Rape	0
	Sunflower	0
<u>Textile fibres</u>	Flax and hemp	0
	Cotton	0
	Silkworms	0
<u>Protein plants</u>	Peas, field beans and sweet lupins (minimum price)	0
	Soya	0
	Dried fodder	0
<u>Wines</u>	Guide price	0
<u>Tobacco</u>	Norm prices for five variety groups	from 0 to -8%
	Premiums	from 2% to -8%
<u>Fresh fruit and vegetables</u>	Basic prices for the different products	0
<u>Milk</u>	Target price	0
	Intervention price	0
	- butter	0
	- skimmed-milk powder	0
	- cheese	0
<u>Beef/veal</u>	Guide price for adult cattle	0
<u>Sheepmeat</u>	Basic price	0
<u>Pigmeat</u>	Basic price	0

(b) Related measures

35. The related measures constitute a response to the need to adapt the present Community regulations to enable them to achieve their objectives in an agricultural context which is constantly changing. They are thus an indispensable adjunct to the price proposals, the impact of which can be strengthened, or modulated, through them.
36. The related measures for 1988/89 include procedures for the implementation of the agricultural stabilizers for a number of products. These procedures supplement the provisions adopted following the guidelines adopted by the European Council when it met in Brussels on 11, 12 and 13 February 1988.

Thus, for fruit and vegetables, given the developments in production and difficulties hampering disposal, the Commission is proposing:

- the introduction of an intervention threshold for oranges, lemons and peaches (fresh products), breach of which during a marketing year would entail a reduction in the buying-in price for the following marketing year;
- maintenance of the system of thresholds and of the limit to the total quantity attracting aid, for processed tomato products;
- introduction of a threshold for quantities of peaches in syrup attracting aid.

For tobacco, the Commission is proposing, on the basis of the overall maximum quantity determined for the 1988, 1989 and 1990 harvests, maximum guaranteed quantities by variety or group of varieties.

37. Some of the measures are, on the other hand, designed to rationalize or simplify current instruments or procedures. They will entail the amendment or deletion of provisions no longer properly adapted to current conditions, or which experience has shown to be unnecessarily bureaucratic. This is the spirit in which the Commission is proposing, for cereals, rice and oilseeds, that activation of intervention should no longer be dependent upon reporting of price levels on certain markets, as the recording of prices has often engendered problems and has thus been the source of unequal treatment as between the various Community production areas. Intervention would now be automatically open throughout the periods specified under each of the relevant market organizations.

For fruit and vegetables, the Commission is also proposing that the concept of "representative market" should be clarified so as to provide, where needed, a broader and more reliable information base.

38. The Commission is also planning to step up its efforts to reduce the risk of fraud. For years verification arrangements have been steadily tightened up. The Commission now feels that some adjustments to the regulations could help to facilitate its work. Thus, it is proposing that imports into the Community of peas and field beans should be dependent on deposit of a security which would be released only when these products reach a marketing stage excluding any possibility of their attracting Community aid. It is also proposing, at the same time, technical adjustments as regards the inspection of sweet lupins, the classification of products eligible for aid, the obligations incumbent upon approved producers' organizations and the method of calculation of the monetary differential amounts.
39. The other proposed related measures can be grouped under four main headings.
 1. Adjustment of co-responsibility. This heading includes adjustment of the procedures for collecting the co-responsibility levy for cereals. The Commission is proposing that the charge should be made when the cereals are marketed rather than at the first processing stage; the change will broaden the basis of the charge, avoid some discrimination between producers and processors and help to simplify administrative procedures;
 2. Adjustment of intervention or support mechanisms. The main proposals are the following:
 - reduction in the monthly increases for cereals, rice, olive oil and oilseeds;
 - adjustment of the intervention arrangements for beef/veal with a view to eliminating certain mechanisms which tend to stimulate very heavy sales to intervention;
 - extension of the use of the Community scale for the classification of beef/veal to the private storage aid scheme;
 - improvement in the scheme for advance fixing of the aid for soya beans, given the importance this product has assumed in the Community;
 3. Quality standards. This includes the following measures:
 - retention of the price increase granted for rye and wheat of bread-making quality;

- retention of the bonus to be applied to the intervention price for double-zero rapeseed. The Commission also confirms that, from 1991/92 onwards, only double-zero quality seed will qualify for aid;

4. Special situations. Proposals coming under this heading include the following:

- retention of the aid designed to compensate small grain farmers for payment of the co-responsibility levy and introduction of a similar aid to offset the additional levy which would be charged where the maximum guaranteed quantity is exceeded. The relevant appropriation for this scheme is thus increased to 220 million ECU;
- increase in the aid paid for durum wheat in order to offset some of the proposed reduction in the intervention price proposed for this type of cereal;
- introduction of a Community aid to offset the reduction in the refining margin for sugar due to the increase, during 1985/86, of the intervention price for raw sugar without alteration in the intervention price for white sugar. This aid replaces the possibility of fixing monetary compensatory amounts for preferential sugar in advance;
- a ceiling at 0.50 ECU/100 kg of white sugar on the national aid paid in the United Kingdom with a view to increasing the refining margin of raw cane sugar from the ACP. This aid will be co-financed by the Community on a 25% basis.

(c) Agri-monetary measures

40. For 1987/88, the negative MCAs of the currencies complying with the exchange discipline within the European Monetary System were dismantled, on average, by about half. Also, as concerns the positive MCAs, decisions were taken so that from 1988/89 onwards there will no longer be positive MCAs for the stable EMS currencies.

Since the Council's latest decisions concerning the dismantlement of the MCAs, the currency scene has been relatively calm. For the stable EMS currencies there has been no change, and for certain countries not complying with the 2.5% fluctuation band (floating currencies), the monetary gaps have narrowed (sterling and the peseta) or slightly widened (lira and escudo). Only the drachma fell sharply.

In view of this and the limits set on agricultural prices by the market surpluses, the Commission is proposing a dismantlement of existing negative MCAs, but only for Greece. This should be of 10 points, so that prices will not increase by more than 7,2%.

VI. Financial implications and budgetary context

41. The financial consequences of the price proposals and related measures for EAGGF Guarantee Section expenditure and for the Community's own resources of agricultural origin represent savings for the Guarantee Section estimated at 18 million ECU for 1988 and 36 million ECU for 1989.
42. The price proposals and related measures for 1988/89 have been prepared in the light of the conclusions of the European Council held on 11 to 13 February 1988.

Under these conclusions, the reference base for the calculation of the annual guideline is the expenditure for 1988, i.e. 27 500 million ECU, and the rate of increase in the guideline is 74% of the rate of growth of GNP between 1988 and the relevant year.

This means, in practice, that there is no room for manoeuvre in 1988 between the budget (still at draft stage) and the guideline. The Commission takes the view that the guideline must be complied with.

Adoption of these proposals will yield savings estimated at 18 million ECU for 1988, which will not allow for the financing of substantial additional expenditure.

It follows that should the Council adopt measures the effect of which is to increase expenditure in a given sector, it should at the same time take action to achieve savings in the same sector or in others.

For 1989, the provisional estimate of the guideline is about 28 600 million ECU, but the amounts relating to effective requirements by market organization have not yet been finally adopted. It does seem, nonetheless, that even on the basis of tentative estimates, the margin available between the guideline and actual requirements which are reflected in the preliminary draft budget will be extremely narrow.

In this connection, the Commission draws the Council's attention to the need to adopt without delay the formal decisions concerning budgetary discipline.

It also assures the Council that all administrative arrangements have been made internally to ensure rigorous management of EAGGF Guarantee Section appropriations.

Table 1

N° 1

Price proposals for individual agricultural products

Product and type of price or amount (Period of application)	Decisions 1987/88		Proposals 1988/89		Spain			Portugal		
	Amounts ECU/tonne	% change	Amounts ECU/tonne	% change	Amounts 1987/88	ECU/tonne 1988/89	% change	Amounts 1987/88	ECU/tonne 1988/89	% change
1	2	3	4	5	6	7	8	9	10	11
Common wheat 1.7.88 - 30.6.89										
Target price	256,10	- 0,02	250,30	- 2,26	256,10	250,30	- 2,26	-	-	-
Intervention price for bread wheat	179,44	0	179,44	0	173,72	174,86	+ 0,66	-	-	-
(Intervention price for fodder wheat)	170,47	0	170,47	0	165,03	166,12	+ 0,66	-	-	-
Barley 1.7.88 - 30.6.89										
Target price	233,80	0	228,00	- 2,48	233,80	228,00	- 2,48	-	-	-
Intervention price	170,47	0	170,47	0	158,85	161,17	+ 1,46	-	-	-
Maize 1.7.88 - 30.6.89										
Target price	233,80	0	228,00	- 2,48	233,80	228,00	- 2,48	-	-	-
Intervention price	179,44	0	179,44	0	173,72	174,86	+ 0,66	-	-	-
Sorghum 1.7.88 - 30.6.89										
Target price	233,80	0	228,00	- 2,48	233,80	228,00	- 2,48	-	-	-
Intervention price	170,47	0	170,47	0	158,85	161,17	+ 1,46	-	-	-
Rye 1.7.88 - 30.6.89										
Target price	233,80	0	228,00	- 2,48	233,80	228,00	- 2,48	-	-	-
Intervention price	170,47	0	170,47	0	160,95	162,85	+ 1,18	-	-	-
Durum wheat 1.7.88 - 30.6.89										
Target price	357,70	0	334,91	- 6,37	357,70	334,91	- 6,37	-	-	-
Intervention price	291,59	- 2,67	276,34	- 5,23	219,78	221,90	+ 0,96	-	-	-
Aid (ECU/ha)	121,80	+ 7,00	137,05	+12,52	33,85	54,49	+60,98	-	-	-
Riz 1.9.88 - 31.8.89										
Target price - husked rice	548,37	0	552,85	+ 0,82	548,37	552,85	+ 0,82	-	-	-
Intervention price - paddy rice	314,19	0	314,19	0	259,76	270,64	+ 4,19	-	-	-
Aid for Indica (ECU/ha)	330,0	pm	330,0	0	330,0	330,0	0	-	-	-
Sugar 1.7.88 - 30.6.89										
Basic price for sugarbeet	40,89	0	40,89	0	47,98	47,98	0	43,72	43,72	0
Intervention price for white sugar	541,80	0	541,80	0	627,80	627,80	0	510,00	518,80	+ 1,7

N° 2

Price proposals for individual agricultural products

Product and type of price or amount (Period of application)	Decisions 1987/88		Proposals 1988/89		Spain			Portugal		
	Amounts ECU/tonne	% change	Amounts ECU/tonne	% change	Amounts 1987/88	ECU/tonne 1988/89	% change	Amounts 1987/88	ECU/tonne 1988/89	% change
1	2	3	4	5	6	7	8	9	10	11
Olive oil 1.11.88-31.10.89										
. Production target price	3225,6	0	3225,6	0	3225,6	3225,6	0	3225,6	3225,6	0
. Intervention price	2162,4	0	2162,4	0	1448,1	1550,1	7,0	2017,2	2037,9	1,0
. Production aid	709,5	0	709,5	0	208,3	271,0	30,1	141,9	212,9	50,0
Rapeseed 1.7.88 - 30.6.89										
. Target price	450,2	- 3,0	450,2	0	402,6	408,6	1,5	450,2	450,2	0
. Intervention price	407,6	- 3,3	407,6	0	360,0	366,0	1,7	407,6	407,6	0
Sunflower seed 1.8.88 - 31.7.89										
. Target price	583,5	0	583,5	0	445,5	462,8	3,9	583,5	583,5	0
. Intervention price	534,7	0	534,7	0	396,7	414,0	4,4	534,7	534,7	0
Soya beans 1.9.88 - 31.8.89										
. Guide price	558,5	- 3	558,5	0	427,1	443,5	3,8	558,5	558,5	0
. Minimum price	489,4	- 3,4	489,4	0	358,0	374,4	4,6	489,4	489,4	0
Dried fodder										
. Guide price 1.5.88 - 30.4.89	178,92	0	178,92	0	156,86	161,27	2,8	178,92	178,92	0
Peas and field beans 1.7.88 - 30.6.89										
. Activating price	447,6	- 12,2	447,6	0	447,6	447,6	0	447,6	447,6	0
. Guide price	295,2	- 10,0	295,2	0	295,2	295,2	0	295,2	295,2	0
. Minimum price - peas	257,7	- 10,0	257,7	0	257,7	257,7	0	257,7	257,7	0
- field beans	248,6	- 10,0	248,6	0	248,6	248,6	0	248,6	248,6	0
Lupins 1.7.88 - 30.6.89										
. Activating price	430,5	- 11,2	430,5	0	404,3	409,5	1,3	430,5	430,5	0
. Minimum price	289,0	- 10,0	289,0	0	271,9	276,4	1,7	289,0	289,0	0
Flax 1.8.88 - 31.7.89										
. Guide price (seed)	554,1	0	554,1	0	477,7	487,3	2,0	554,1	554,1	0
. Fixed-rate aid (fibre)(per ha)	355,09	0	355,09	0	101,46	152,19	50,0	101,46	152,19	50,0
Hemp 1.8.88 - 31.7.89										
. Aide fixe (par ha)	322,48	0	322,48	0	92,14	138,21	50,0	92,14	138,21	50,0
Silkworms 1.4.88 - 31.3.89										
. Aide par boîte de graines de vers	112,00	+ 3,0	112,00	0	31,60	47,68	50,9	31,60	47,68	50,9
Cotton 1.9.88 - 31.8.89										
. Guide price	960,2	0	960,2	0	960,2	960,2	0	960,2	960,2	0
. Minimum price	912,3	0	912,3	0	912,3	912,3	0	912,3	912,3	0

Price proposals for individual agricultural products

Product and type of price or amount (Period of application)	Decisions 1987/88		Proposals 1988/89		Spain			Portugal		
	Amounts ECU/tonne	% change	Amounts ECU/tonne	% change	Amounts 1987/88	ECU/tonne 1988/89	% change	Amounts 1987/88	ECU/tonne 1988/89	% change
1	2	3	4	5	6	7	8	9	10	11
Milk 1.4.88 - 31.3.89										
Target price	278,4	0	278,4	0	-	-	-	-	-	-
Butter										
Intervention price	3132,0	0	3132,0	0	3436,0	3391,3	- 1,3	-	-	-
Skimmed-milk powder										
Intervention price	1740,4	0	1740,4	0	2319,6	2260,4	- 2,6	-	-	-
Grana padano cheese 30-60 days										
Intervention price	3889,3	0	3889,3	0	-	-	-	-	-	-
Grana padano cheese 6 months										
Intervention price	4803,3	0	4803,3	0	-	-	-	-	-	-
Parmigiano-Reggiano 6 months										
Intervention price	5291,9	0	5291,9	0	-	-	-	-	-	-

Beef/veal 6.4.88 - 3.4.89										
Guide price for adult bovines (1)	2050,2	0	2050,2	0	2050,2	2050,2	0	-	-	-
Interv. price quality R 3 cat. A	3440	- 1,7	3440	0	3440	3440	-	-	-	-
Interv. price quality R 3 cat. C	3440	+ 2,7	3440	0	3440	3440	0	-	-	-

(1) Price per tonne (live weight)

	1988		1989							
Sheepmeat 6.1.88 - 3.1.89										
Basic price (carcase weight)	4323,2	0	4323,2	0	4323,2	4323,2	0	4323,2	4323,2	0

Pigmeat 1.11.88-31.10.89										
Basic price (carcase weight)	2033,3	0	2033,3	0	2033,3	2033,3	0	-	-	-

N° 4

Price proposals for individual agricultural products

Product and type of price or amount (Period of application)	Decisions 1987/88		Propositions 1988/89		Espagne			Portugal		
	Amounts	%	Amounts	%	Amounts	ECU/tonne	%	Amounts	ECU/tonne	%
	ECU/tonne	change	ECU/tonne	change	1987/88	1988/89	change	1987/88	1988/89	change
1	2	3	4	5	6	7	8	9	10	11
Fruit and vegetables Basic price					-	-	-	-	-	-
.Cauliflowers 01. 5.88-30. 4.89	:)	0	: 0	0	-	-	-	-	-	-
.Tomatoes 11. 6.88-30.11.88	:)	0	: 0	0	-	-	-	-	-	-
.Peaches 01. 6.88-30. 9.88	:)	- 5	: 0	0	-	-	-	-	-	-
.Lemons 01. 6.88-31. 5.89	:)	- 2,5	: 0	0	-	-	-	-	-	-
.Pears 01. 7.88-30. 4.89	:)	0	: 0	0	-	-	-	-	-	-
.Table grapes 01. 8.88-31.10.88	:)	0	: 0	0	-	-	-	-	-	-
.Apples 01. 8.88-31. 5.89	:)	0	: 0	0	-	-	-	-	-	-
.Mandarins 16.11.88-29. 2.89	:)	- 5	: 0	0	-	-	-	-	-	-
.Sweet oranges 01.12.88-31. 5.89	:)	- 2,5	: 0	0	-	-	-	-	-	-
.Apricots 01. 6.88-31. 7.89	:)	- 5	: 0	0	-	-	-	-	-	-
.Aubergines 01. 7.88-31.10.88	:)	0	: 0	0	-	-	-	-	-	-
.Clementines 01.12.88-15. 2.89	:)	pm	: 0	0	-	-	-	-	-	-
.Satsumas 16.10.88-15. 1.89	:)	-	: pm	pm	-	-	-	-	-	-
.Nectarines 01. 6.88-31. 8.88	:)	-	: pm	pm	-	-	-	-	-	-

Table wine 01. 9.88-31. 8.89										
. Guide price Type RI	3,35	- 2	3,35	0	2,28	2,49	+ 9,2	-	-	-
. Guide price Type RII	3,35	- 2	3,35	0	2,28	2,49	+ 9,2	-	-	-
. Guide price Type RIII	52,23	- 2	52,23	0	35,55	38,89	+ 9,4	-	-	-
. Guide price Type AI	3,11	- 2	3,11	0	2,11	2,31	+ 9,5	-	-	-
. Guide price Type AII	69,60	- 2	69,60	0	47,32	51,78	+ 9,4	-	-	-
. Guide price Type AIII	79,49	- 2	79,49	0	54,05	59,14	+ 9,4	-	-	-

() RI, RII and AI expressed in ECU/%/hl
 RIII, AII and AIII expressed in ECU/hl

(For tobacco, see next page)

Product and type of price of amount (Period of application)	1987 Harvest Decisions	Proposals for 1988 (EUR 12)
	Price/premium : % change compared with 1986	Price/premium : % change compared with 1987
1	2	3
Group		
I		
3. Virgin D))
7. Bright))
17. Basmal))
18. Katerini	) Price + 3	) Price 0
26. Virgin GR.	) Premium + 5	) Premium + 2
31. Virgin Esp.))
33. Virgin Port.))
II		
2. Bad. Burley))
8. Burley I))
9. Maryland	) Price 0	) Price 0
25. Burley GR.	) Premium + 3(a)	) Premium + 1
32. Burley Esp.))
34. Burley Port.))
28. Fermented Burley (b)	) Price/premium + 2)
III		
1. Bad. Geud.))
4. Paraguay))
5. Nijkerk))
6. Missionero	) Price + 2	) Price 0
10. Kentucky	) Premium + 2	) Premium 0
16. Round Tip))
27. Santa Fé))
29. Havana Esp))
30. Round Scafati))
IV		
13. Xanti-Yaka))
14. Perustitza))
15. Erzegovina))
19. K.K. classic	) Price 0	) Price - 6
20. K.K. non-classic	) Premium 0	) Premium - 6
21. Myrodata Ag.))
22. Zichomyrodata))
V		
11. Forch. Havana))
12. Beneventano	) Price - 6	) Price - 8
23. Tsebelia	) Premium - 4	) Premium - 8
24. Mavra))

- (a) The final amount of the premium for Burley GR was about 27% up on 1986 following the application of Article 13 of Regulation (EEC) No 727/70.
- (b) Fermented Burley has been transferred from Group III to Group II for the 1988 harvest.

TABLE 2

AGRI-MONETARY PROPOSALS 1988/89

MEMBER STATES	SECTORS	CENTRAL FIXED	RATES GREEN	OLD GREEN RATES	NEW GREEN RATES	CHANGE (%)	EFFECT ON PRICES %	OLD GAPS REAL	APPLIED	NEW GAPS REAL	APPLIED	DISMANT. (PTS)
GERMANY	Beef and veal/Sugar	2,05853	2,34113	2,36110	2,36110			0,846	0			
	Cereals			2,37360	2,37360			1,368	0			
	Milk			2,38591	2,38591			1,877	0			
	Olive oil			2,36110	2,36110			0,846	0			
	Pigmeat			2,36110	2,36110			0,846	0			
	Poultry			2,36110	2,36110			0,846	0			
	Wine			2,36110	2,36110			0,846	0			
	Others			2,36110	2,36110			0,846	0			
NETHERLANDS	Beef and veal/Sugar	2,31943	2,63785	2,64704	2,64704			0,347	0			
	Cereals			2,66089	2,66089			0,866	0			
	Milk			2,67490	2,67490			1,385	0			
	Olive oil			2,64704	2,64704			0,347	0			
	Pigmeat			2,64704	2,64704			0,347	0			
	Poultry			2,64704	2,64704			0,347	0			
	Others			2,64704	2,64704			0,347	0			
	Sheepmeat			2,67387	2,67387			1,347	-			
BELGIUM/ LUXEMBOURG	Beef and veal/Milk	42,4582	48,2869	48,0467	48,0467			- 0,500	0			
	Cereals/Sugar			48,0658	48,0658			- 0,460	0			
	Olive oil			48,0658	48,0658			- 0,460	0			
	Pigmeat			48,0467	48,0467			- 0,500	0			
	Poultry			48,0467	48,0467			- 0,500	0			
	Others			48,0658	48,0658			- 0,460	0			
	Sheepmeat			47,3310	47,3310			- 2,020	-			
FRANCE	Beef and veal	6,90403	7,85183	7,69553	7,69553			- 2,031	- 1,0			
	Cereals/Milk/Sugar			7,47587	7,47587			- 5,029	- 3,5			
	Olive oil			7,47587	7,47587			- 5,029	0			
	Pigmeat			7,73579	7,73579			- 1,500	0			
	Poultry			7,45826	7,45826			- 5,277	0			
	Wine			7,43671	7,43671			- 5,582	- 1,0			
	Others			7,47587	7,47587			- 5,029	- 3,5			
	Sheepmeat			7,54539	7,54539			- 4,061	-			

Table 2 - contd. 1

PROPOSITIONS AGRIMONETAIRES 1988/89

MEMBER STATES	SECTORS	CENTRAL FIXED	RATES GREEN	OLD GREEN RATES	NEW GREEN RATES	CHANGE (%)	EFFECT ON PRICES %	OLD GAPS REAL	APPLIED	NEW GAPS REAL	APPLIED	DISMANT. (PTS)
DENMARK	Beef and veal/Cereals/ Milk/Sugar:	7,85212	8,93007	8,75497	8,75497			- 2,000	0			
	Olive oil			8,75497	8,75497			- 2,000	0			
	Pigmeat			8,88697	8,88697			- 0,485	0			
	Poultry			8,75497	8,75497			- 2,000	0			
	Others			8,75497	8,75497			- 2,000	0			
	Sheepmeat			8,58163	8,58163			- 4,060	-			
IRELAND	Beef and veal	0,768411	0,873900	0,844177	0,844177			- 3,521	- 2,0			
	Cereals/Sugar			0,831375	0,831375			- 5,115	- 3,6			
	Milk			0,832119	0,832119			- 5,021	- 3,5			
	Olive oil			0,831375	0,831375			- 5,115	0			
	Pigmeat			0,843427	0,843427			- 3,613	- 2,1			
	Poultry			0,832119	0,832119			- 5,021	0			
UNITED KINGDOM	Others	0,739618		0,831375	0,831375			- 5,115	- 3,6			
	Sheepmeat			0,817756	0,817756			- 6,866	-			
	Beef and veal			0,710546	0,710546			- 6,472	- 5,0			
	Cereals/Sugar			0,656148	0,656148			- 15,299	- 13,8			
	Milk			0,665557	0,665557			- 13,669	- 12,2			
	Olive oil			0,656148	0,656148			- 15,299	- 5,3			
	Pigmeat			0,694266	0,694266			- 8,969	- 7,5			
	Poultry			0,665557	0,665557			- 13,669	- 8,7			
	Tobacco			0,626994	0,626994			- 20,661	-			
	Sheepmeat			0,652575	0,652575			- 15,931	-			
ITALY	Beef and veal/Milk/ Sugar	1493,58		1613,00	1613,00			- 6,950	- 5,5			
	Cereals			1597,00	1597,00			- 8,021	- 6,5			
	Olive oil			1613,00	1613,00			- 6,950	0			
	Pigmeat			1674,00	1674,00			- 3,053	- 1,6			
	Poultry			1613,00	1613,00			- 6,950	- 2,0			
	Wine			1603,00	1603,00			- 7,617	- 2,6			
	Fruit and veg./Tobacco			1629,00	1629,00			- 5,899	-			
	Oilseeds			1597,00	1597,00			- 8,021	-			
	Sheepmeat			1554,00	1554,00			- 11,010	-			
	Milk/Cereals/Sugar/ Fisheries			1613,00	1613,00			- 6,950	-			

Table 2 - contd. 2

AGRI-MONETARY PROPOSALS 1988/89

MEMBER STATES	SECTORS	CENTRAL RATES FIXED	RATES GREEN	OLD GREEN RATES	NEW GREEN RATES	CHANGE (%)	EFFECT ON: PRICES %	OLD GAPS REAL (1)	APPL. (2)	NEW GAPS REAL	APPLIED	DISMANT. (PTS)
GREECE	Beef and veal/Milk	150,792		124,840	133,787	- 6,7	+ 7,2	-49,775	- 48,0	39,539	38,0	10
	Cereals/Sugar			134,174	144,565	- 7,2	+ 7,7	-39,356	- 37,6	29,136	27,6	10
	Olive oil			134,174	144,565	- 7,2	+ 7,7	-39,356	- 29,1	29,136	19,1	10
	Pigmeat			134,328	144,743	- 7,2	+ 7,7	-39,196	- 37,5	28,977	27,5	10
	Poultry			128,340	138,280	- 7,2	+ 7,7	-45,690*)	- 40,5*)	35,461*)	30,5*)	10
	Wine			134,174	144,565	- 7,2	+ 7,7	-39,356	- 34,1	29,136	24,1	10
	Tobacco			134,174	144,565	- 7,2	+ 7,7	- 39,356	-			-
	Sheepmeat			150,275	161,913	- 7,2	+ 7,7	- 24,425	-			-
	Others			128,340	138,280	- 7,2	+ 7,7	- 45,461	-			-
PORTUGAL	Sugar			171,725	171,725			- 11,202	- 9,6			
	Olive oil			171,725	171,725			- 11,202	- 1,1			
	Fruit and veg./Oil-seeds/Sugar/Fisheries			171,725	171,725			- 11,202	-			
	Tobacco			151,812	151,812			- 25,788	-			
	Sheepmeat			181,888	181,888			- 4,988	-			
SPAIN	Beef and veal/Milk			155,786	155,786			- 0,563	0			
	Cereals/Sugar			154,213	154,213			- 1,589	0			
	Olive oil			154,213	154,213			- 1,589	0			
	Pigmeat			155,643	155,643			- 0,655	0			
	Poultry			155,786	155,786			- 0,563	0			
	Wine			154,213	154,213			- 1,589	0			
	Others			154,213	154,213			- 1,589	0			
	Sheepmeat			151,806	151,806			- 3,199	0			

(1) Figures for 16-22 March 1988.

(2) Gaps applied during the week of 23 March 1988.

*) NB. The MCAs are derived from those applicable to feed.

Table 3

Related Measures

Cereals

- Updating of the cost of transport from Ormes to Duisburg (26,90 ECU/tonne, as against 32,70 ECU/tonne in 1987/88), resulting in lower target prices for common wheat, (-2,26%), feed grain (-2,48%) and durum wheat (-1,14%).
- Change in the detailed rules for charging the co-responsibility levy. Under the new arrangements the levy would be charged when the producer markets the product (at present the levy is charged at the first-processing stage or when the products are bought in or exported from the Community).
- Inclusion, in the rules for cereals, of a provision whereby aid may be granted for cereals used as feed. The aid would be financed via the basic co-responsibility levy.
- Basic co-responsibility levy to be kept at its 1987/88 level (5,38 ECU/tonne, plus the additional co-responsibility levy introduced as part of the new stabilizer mechanisms).
- Restoration of the intervention arrangements in force prior to 1987/88 (their activation would no longer be tied to the recording of prices on certain representative markets), without changing the actual price at which buying in takes place (i.e. 94% of the intervention price).
- Reduction of 50% in the monthly increases applicable to the intervention and target prices.
- Premiums for breadmaking wheat and breadmaking rye to be kept at 3,59 ECU/tonne and 8,97 ECU/tonne respectively.
- Increase of 12,52% in the aid for durum wheat to offset, to a certain extent, the narrowing of the gap between the intervention price for durum wheat and that for common wheat.
- Aid for smaller producers to be maintained and increased to take account of the actual additional co-responsibility levy applied. Alongside this the Commission is proposing a definition of small producers which is based on common criteria (those whose holding has a UAA of less than 20 ha). The total budget allocation for the aid is to be 220 million ECU. The aid may be replaced by exemption from the levies, provided that the guarantees are equivalent to those available under the basic arrangements.
- Flat-rate levy for canary seed, millet and buckwheat (cf. that for barley).

Rice

- Reduction of 50% in the monthly increases;
- Restoration of the intervention arrangements applicable prior to 1987/88 (activation no longer tied to the recording of prices on certain representative markets).

Starch products

- To ensure compliance with the minimum price for potatoes used by the starch industry, the premium is to be granted only if the minimum price has been paid.

Sugar

- Community aid to refiners in respect of preferential sugar.
- Ceiling of 0,50 ECU per 100 kg of white sugar on the national aid to refiners of raw cane sugar in the United Kingdom. Part of the aid (25%) would be financed by the Community.

Olive oil

- Production aid to be kept at 80,95 ECU/100 kg in the case of olive growers producing 200 kg or less per marketing year, and 70,95 ECU/100 kg in the case of other growers.
- The share of production aid which is withheld as a contribution to the cost of the work assigned to producers' organizations is to be reduced to 1,7% (from 2,5% in 1987/88).
- The percentage of production aid which is held back and used for financing regional measures to improve the quality of olive production is to be 2%.
- The percentage of production aid withheld to finance further work on the establishment of a register of olive cultivation is to be 2,5%.

Table olives

- Introduction of marketing standards.

Rape and sunflower seeds

- The premium on the intervention price for "00" rape is to be maintained.
- Buying in no longer linked to the recording of market prices.
- Reduction of 50% in the monthly increases.
- Advance-fixing certificates for the aid to be issued after a period of three working days (compared with one working day at present).

Soya beans

- Introduction of an improved system for fixing the aid in advance, which takes account of forward prices on the world market.
- Tougher control arrangements.

Protein products

- Security to be lodged in respect of imported peas and field beans and released only when the products can no longer qualify for the aid.
- Monthly increases to remain unchanged in terms of number, distribution and amounts (0,18 ECU/100 kg in the case of the minimum price and the guide price, and 0,40 ECU/100 kg in the case of the activating threshold price).

Dried fodder

- The minimum quality criteria for entitlement to production aid to be made more stringent (in particular as regards the protein content).

Textile fibres

- The maximum guaranteed quantity for cotton to be set at 752.000 tonnes of ginned cotton.
- The share of the flat-rate aid per hectare earmarked for financing measures to promote the use of flax is to be kept at 35,51 ECU/ha (10% of the aid).

Fruit and vegetables

- Introduction of thresholds for peaches, oranges and lemons. The threshold for peaches would be degressive over three years, at 20%, 15% and 10% respectively of the average volume of production for the fresh market in the five preceding years. The threshold for oranges and lemons would be 15%, 12,5% and 10% of this same average. If the thresholds were exceeded in the course of the year, the buying-in price for the subsequent year would be reduced by 1% per excess tranche of 18 000 tonnes in the case of peaches, 6 600 tonnes in the case of lemons and 20 000 tonnes in the case of oranges, subject to a maximum reduction of 20%.
- Clear definition of the concept of a "representative market" for the purposes of calculating the entry price of imported goods.
- For products processed from tomatoes, maintenance of the threshold system and the mechanism for limiting the total quantity eligible for aid for the next two marketing years.
- Introduction of a system of processing aid for dried "Moscatel" grapes. Contracts would, in principle, be concluded only with producers' groups.
- Introduction of a guarantee threshold for the production of dried "Moscatel" grapes, at 3 500 tonnes.
- Adjustment of the aid scheme for pineapples in syrup and extension of the scheme to other products processed from pineapples. Simultaneous introduction of a guarantee threshold at 11 000 tonnes for pineapples in syrup and 3 000 tonnes for pineapple juice.
- Introduction of a guarantee threshold for peaches in syrup. The threshold would be equal to the average of quantities produced in the three preceding years. If the threshold was exceeded, aid for the following year would be reduced proportionately.

Wine

- Extension of the ban on national aid for vine planting on certain types of land to all categories of wine, irrespective of the type of land.
- Fixing of a lower limit for by-products of winemaking to be delivered for distillation. The Commission would fix, annually, the quantities to be delivered above the limit, in the light of the market situation.

- Suspension of the limitation on the distillation of "other wines" until the end of the year, the final date being fixed by the Commission.

Tobacco

- Fixing of maximum guaranteed quantities by variety or varietal group within the overall maximum quantity of 385.000 tonnes.
- Fixing of new maximum quantities to be taken over by the intervention agencies, any overrun being penalized by a price reduction. The new quantities take account of the maximum guaranteed quantities laid down under the stabilizer arrangements.
- Increase of the price penalty on any undertaking whose deliveries to intervention exceed, in three consecutive years, 15% of the quantities of Community-grown leaf tobacco handled by the undertaking.
- Revision of the scale of price increases and reductions to make a sharper distinction between the intervention prices for superior-quality tobacco and that for inferior-quality tobacco.
- Introduction of a "European tobacco-growing contract".
- Further delimitation of production areas to avoid any extension of planted areas and uncontrolled transfers of varieties at regional level.

Milk

- Maintenance of the co-responsibility levy until 1989/90, and maintenance of the present rate of the levy for 1988/89.
- Maintenance, under the quota system, of a Community reserve of 430 000 tonnes, without any change in the distribution between Member States.
- Continued exemption of whey from the decision to suspend inward processing traffic until 31 January 1989.

Beef/veal

- Commission plan to introduce a buying-in system based on the present system for butter. Pending this, adjustment of the present system to eliminate any provisions which serve as incentives to produce beef on a large scale for intervention, i.e.:
 - * the provision which offers a buying-in price not less than the market price in the Member State with the highest price, and
 - * the provision which offers buying-in price equal to the average price increased by 2.5%.
- Application of the Community carcass classification grid, from 1988/89 onwards, for the purposes of private storage aid.
- Confirmation that, after December 1988, the calf premium and variable slaughter premium will not be renewed. These premiums will be replaced by the special premium for beef/veal producers which the Commission will propose should be applied in all Member States.

Table 4

Stabilizers in force or proposed

Product	1987/88		Over-shoot	1988/89
	Quota or quantities set	Market situation		Quota or quantities set /proposed
Cereals	-	Production: 153,7m t	-	Maximum guaranteed: quantity: 160m t
Sugar	Quota A: 10,539m t Quota B: 2,289m t	Production: Quota A: 10,223m t Quota B: 2,161m t C Sugar: 821 000 t Total (production + carryovers) 14,478m t	None	Quota A: 10,539m t Quota B: 2,289m t
Isoglucose	Quota A: 241.000 t Quota B: 50.000 t	Production = quotas	None	Quota A: 241.000 t Quota B: 50.000 t
Rape	Maximum guaranteed quantity EUR 10: 3.500.000 t Spain: 10.000 t Portugal: 1.300 t	Estimated product. EUR 10: 4.900.000 t Spain: 10.000 t Portugal: 0 t	1400000 t (40%) None	Maximum guaranteed: quantity EUR 10: 4.500.000t Spain 12.900 t Portugal 1.300 t
Sunflower	Maximum guaranteed quantity EUR 10: 1.700.000 t Spain: 1.200.000 t Portugal: 53.500 t	Estimated product. EUR 10: 2.760.000 t Spain: 930.000 t Portugal: 25.000 t	1060000 t (62,4%) None	Maximum guaranteed: quantity EUR 10: 2.000.000t Spain: 1.411.200t Portugal: to be set
Soya	Maximum guaranteed quantity EUR12 : 1.100.000 t	Estimated product. EUR 12: 1.385.000 t	285.000 t (25,9%)	Maximum guaranteed: quantity EUR 12: 1.300.000t
Olive oil	Maximum guaranteed quantity EUR 12: 1.350.000 t	Estimated product. (beginning March 88) 1.520.000 t	approx. 170.000 (12,6%)	Maximum guaranteed: quantity EUR 12: 1.350.000t
Peas and field beans	-	Production : 3.750.000 t	-	Maximum guaranteed: quantity : EUR 12: 3.500.000t

Table 4 contd.

Product	1987/88		Over-shoot	1988/89	
	Quota or quantities set	Market situation		Quota or quantities set /proposed	
Wine	-	203.940.000 hl	-	Maintenance of present level for a production volume equivalent to 10% of normal utilized volume. Marked reduction in prices during years in which threshold exceeded but this to be implemented gradually to allow winegrowers to adjust to new situation (proposal)	
Tobacco	-	387.000 t leaf tobacco	-	Total maximum guaranteed quantity: EUR 12: 385.000 t leaf tobacco	
Cotton	Maximum guaranteed quantity : EUR 12: 752.000 t	Estimated production : EUR 12: 828.850 t	76.850t (10,2%)	Maximum guaranteed quantity: 752.000 t (proposal)	
Fresh fruit and vegetables	Intervention thresholds: Fresh tomatoes : EUR 10: 390 000 t (10% of average production for fresh consumption)	On available data (beginning March 1988) no overshoot expected		Intervention thresholds: Fresh tomatoes : EUR 10: 390 000 t	
	Mandarins : EUR 10: 169.650 t (65% of production)	No overshoot expected		Mandarins : 50% of average production for fresh consumption	
	Clementines : EUR 10: 25.520 t (10% of average production for fresh consumption)	On available data (beginning March 1988) no overshoot expected		Clementines : 10% of average production for fresh consumption	

Table 4 contd.

Product	1987/88			1988/89	
	Quota or quantities set	Market situation	Over-shoot	Quota or quantities set /proposed	
				<u>Satsumas-Nectarines</u>	
				10% of average	
				production for	
				fresh consumption	
				<u>Peaches</u>	
				20% of average	
				production	
				(proposed)	
				<u>Oranges and lemons</u>	
				15% of average	
				production	
				(proposed)	
Processed	<u>Tomatoes:</u>			<u>Tomatoes</u>	
fruit and	1. Guarantee thres-	More or less within thres-		1. Guarantee thres-	
vegetables:	hold EUR 10	hold limits as far as		hold maintained at:	
	concentr.: 2.987.850	1987 production concerned		existing levels	
	peeled: 1.307.150	but overshoot when three		but effects	
	other: 405.000	years counted, as		neutralized for	
	total: 4.700.000	specific for application		next two marketing:	
		of guarantee thresholds:		years	
				(proposal)	
		concentr.: 16,75 %			
		peeled: 0			
		other: 28,61 %			
	2. Restriction of	See above		2. Restriction on	
	aid to same volume:			aid: proposal to	
	as threshold			retain existing	
	quantities but			arrangement but	
	allocated among			alter division of	
	Member States and			overall quantities:	
	divided among			among the three	
	three finished-			product groups and:	
	product groups			include Spain	
				and Portugal	
				(proposal)	

Table 4 contd.

Product	1987/88			1988/89	
	Quota or quantities set	Market situation	Over-shoot	Quota or quantities set /proposed	
	<u>Dried grapes</u>			<u>Dried grapes</u>	
	1. Guarantee	More or less within		1. Guarantee	
	threshold (EUR10):	threshold limits		threshold	
	currants: 70.000t:			currants: 70.000t:	
	sultanas: 93.000t:			sultanas: 93.000t:	
				muscatels: 3.500t :	
				(proposal)	
	<u>Other products</u>				
				1. Guarantee	
				threshold	
				<u>tinned pineapple:</u>	
				11.000 t (proposal)	
				<u>pineapple juice:</u>	
				3.000 t (proposal):	
	Aid restrictions			2. Aid restrictions:	
	EUR 12			William pears:	
	-William pears:	More or less	No	102 305 t (EUR 12):	
	102.305 t	within limits	over-	Whiteheart and	
	-Whiteheart cherries)	No processing	shoot	sour cherries:	
	28 272 t	)aids in 1987/88		proposal before	
	- Sour cherries:	)		Council for	
	51 282 t	)		replacement of aid:	
				by minimum import	
				price	
				<u>Peaches in syrup</u>	
				Proposal to	
				restrict aid to	
				average quantity	
				produced in last	
				three marketing	
				years	

Table 4 contd

:	1987/88			:	1988/89		:
	Product	Quota or quantities set	Market situation : marché		Over-shoot	Quota or quantities set /proposed	
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:
:	Milk	Overall guaranteed	(On basis of available	:	:	:	:
:	:	quantity net of	data (beginning March	:	:	:	:
:	:	quota suspensions	1988) expected total	:	:	:	:
:	:	:(including	overshoot of 1 million t):	:	:	:	:
:	:	Community reserve)	:	:	:	:	:
:	:	EUR 12 (without	:	:	:	:	:
:	:	Portugal)	:	:	:	95.339.736 +	:
:	:	98 379 600 t	:	:	:	Community reserve	:
:	:	:	:	:	:	:	:
:	Sheepmeat	-	-	:	:	Maximum guaranteed:	:
:	:	:	:	:	:	for ewe herd:	:
:	:	:	:	:	:	62 000 000 head	:
:	:	:	:	:	:	- United Kingdom	:
:	:	:	:	:	:	18 000 000 head	:
:	:	:	:	:	:	- EUR 11 and	:
:	:	:	:	:	:	Ireland:	:
:	:	:	:	:	:	44 000 000 head	:
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:

(1) The Commission has undertaken to review this figure when the final figures for 1987 are available.

Table 5

Effect of Commission proposals on support
prices in ECU and in national currency

	Percentage change (1)	
	in ECU (2)	in national currency (2), (3)
Belgium	+ 0.00	+ 0.00
Denmark	+ 0.00	+ 0.00
Fed. Rep. of Germany	+ 0.00	+ 0.00
Greece	- 0.63	+ 6.93
Spain (6)	+ 1.01	+ 1.01
France	- 0.04	- 0.04
Ireland	+ 0.00	+ 0.00
Italy	- 0.31	- 0.31
Luxembourg	+ 0.00	+ 0.00
Netherlands	+ 0.00	+ 0.00
Portugal (6)	+ 0.72	+ 0.72
United Kingdom	+ 0.00	+ 0.00
EUR 12 (6)	+ 0.00	+ 0.31

(1) Percentage variation between proposed support prices for 1988/89 and those for 1987/88.

(2) Support (intervention or equivalent) prices, weighted in accordance with share of various products in value of agricultural production covered by common prices.

(3) Common prices in ECU converted at green rates in this proposal.

(6) Including effect of alignment of Spanish and Portuguese prices on common prices under accession arrangements.

Table 6

**EAGGF expenditure and agricultural production
and incomes, 1975 to 1987 (EUR 10)**

1975 = 100

	EAGGF	Total	Final	NVA in	NVA
	Guarantee	GDP	agricultural	agriculture	per AWU
	Expenditure		production		
	(1)	(2)	(2)	(1)	(1)
1975	100.0	100.0	100.0	100.0	100.0
1976	111.8	105.0	100.2	100.5	102.1
1977	124.8	107.4	103.3	96.8	101.1
1978	150.8	111.0	108.5	97.4	103.3
1979	166.5	114.8	111.9	92.5	100.5
1980	163.4	116.0	114.1	85.4	94.4
1981	143.5	116.0	114.1	85.1	96.1
1982	148.2	116.6	119.8	91.4	106.0
1983	178.0	118.3	119.4	85.4	100.5
1984	194.4	121.2	123.7	88.7	106.0
1985	202.1	124.2	121.7	81.6	99.7
1986	224.0 *	127.2	124.4	80.3	100.6
1987	225.9 *	132.6	122.9	74.5	95.7

(1) In real terms (GDP deflator)

(2) At constant prices.

(*) EUR 12 (1987: 10 months)

GDP : Gross domestic product at market prices.

NVA : Net value added at factor cost.

AWU : Annual work unit.

Sources: EAGGF, Eurostat, DG VI.

Table 7

PUBLIC STOCKS AT YEAR-END

I. Volume

('000 t)

Product	31.12.82	30.11.83	30.11.84	30.11.85	30.11.86	30.09.87
Common wheat*	6864	6806	4448	3890	2475	3406
Common wheat**	23	14	2015	8012	6085	3417
Barley	1681	1673	1636	4651	3793	4326
Rye	298	311	441	1108	1148	1055
Durum wheat	801	737	853	986	1023	1530
Maize	-	-	-	-	190	22
Sorghum	-	-	-	-	3	8
Sugar	-	-	43	0	16	-
Olive oil	181	121	167	75	283	325
Rape	39	-	58	0	0	0
Sunflower	-	-	-	-	28	0
Leaf tobacco	4	4	3	7	27	3
Processed "	4	11	7	4	7	20
Baled tobacco	29	15	4	4	6	5
Alcohol (3)	-	-	-	501(1)	666(1)	1092(1)
Skimmed-milk powder	605	957	773	514	847	722
Butter	139	686	973	1018	1297	1058
Beef carcasses	156	301	468	589	452	484
Boned beef	61	89	127	214	219	207
Pigmeat	-	-	-	26	0	0

(1) '000 hectolitres.

(2) Provisional figures.

(3) Alcohol from compulsory distillation under Article 39 of Regulation 822/87.
On 30.9.87 the national intervention agencies also held 4 841 000 hl of alcohol from compulsory distillation under Articles 35 and 36 of Regulation 822/87.

* Bought in at "minimum quality" price.

** Bought in at single intervention price.

Table 7b

PUBLIC STOCKS AT YEAR-END

II. Value

(m ECU)

Product	31.12.82	30.11.83	30.11.84	30.11.85	30.11.86	30.9.87
						(1)
Common wheat*	1274)	1279)	872)	777)	541)	750
Common wheat**	4)	3)	391)	1614)	1135)	659)
Barley	305) 1840	322) 1854	320) 1902	940) 3820	729) 2977	856) 2937
Rye	58)	63)	92)	226)	248)	232)
Durum wheat	199)	187)	227)	264)	288)	434)
Maize	-	-	-	-	35)	4)
Sorghum	-	-	-	-	1)	2)
Sugar	-	-	26	0	10	-
Olive oil	288	175	273	116	421	491
Rape	15	-	26	0	0	0
Sunflower	-	-	-	-	15	0
Leaf tobacco	4)	3)	3)	7)	19)	2)
Processed "	4) 43	9) 31	5) 14	3) 15	5) 30	15) 24
Baled tobacco	35)	19)	6)	5)	7)	6)
Alcohol	-	-	-	47	65	102
Skimmed-milk	-	-	-	-	-	-
powder	854	1458	1242	867	1593	1380
Butter	467	2475	3537	3416	4254	3524
Beef	-	-	-	-	-	-
carcasses	338)	762)	1297)	1509)	1212)	1356)
Boned beef	166) 504	280) 1042	435) 1732	761) 2270	784) 1996	761) 2117
Pigmeat	-	-	-	29	0	0
TOTAL	4011	7035	8751	10580	11360	10575

(1) Provisional figures.

* Bought in at "minimum quality" price.

** Bought in at single intervention price.

Table 8

COMMON WHEAT

Quantities covered by EAGGF-financed measures

EUR 10

('000 t)

	1982	1983	1984	1985	1986
A.1. Production (1)	49.728	55.718	55.322	70.213	60.205
2. Stocks at end of preceding year (2)	2.968	6.887	(6.820)	(6.463)	11.903
3. Total (1 + 2)	52.696	62.605	62.142	76.676	72.108
B. EAGGF measures					
1. Intervention	4.875	3.119	6.341	5.900	3.263
2. Export refunds					
a) total (3)	12.935	14.544	15.074	15.527	12.259
b) of which: quantity taken from interven.	(1145)	(1120)	(2375)	(3485)	(3374)
3. Other disposal measures	395 (4)	574 (4)	803 (4)	961 (4)	1.304 (4)
4. Total less exports from intervention beständen	18.205 -1.145	18.237 -1.120	22.218 -2.375	22.388 -3.485	16.826 -3.374
5. Grand total	17.060	17.117	19.843	18.903	13.452
C. B 5 / A 1 (%)	34,3	30,7	35,9	26,9	22,3
B 5 / A 3 (%)	32,4	27,3	31,9	24,7	18,7

(1) The production figure for a given calendar year i is taken as the quantity harvested in year i - 1.

(2) Public stocks at 30 November of year i - 1.

(3) Including flour.

(4) Starch and quellmehl production refund (1981/82, etc).

Sources: VI/C/1, VI/G/1, VI/G/2

Table 9

BARLEY

Quantities covered by EAGGF-financed measures

EUR 10

('000 t)

	1982	1983	1984	1985	1986
A.1. Production (1)	39.442	41.353	36.257	44.256	40.808
2. Stocks at end of preceding year (2)	848	1.681	1.673	1.636	4.651
3. Total (1 + 2)	40.290	43.034	37.930	45.892	45.459
B. EAGGF measures					
1. Intervention	1.563	1.289	1.759	4.258	2.327
2. Export refunds					
a) total (2)	4.001	5.454	7.005	7.980	7.965
b) of which: quantity taken from interven.	(473)	(1.625)	(880)	(1.705)	(3.497)
3. Other disposal measures	-	-	-	-	-
4. Total less exports from intervention	5.564	6.743	8.764	12.238	10.292
	- 473	-1.625	- 880	-1.705	-3.497
5. Grand total	5.091	5.118	7.884	10.533	6.795
C. B 5 / A 1 (%)	12,9	12,4	21,7	23,8	16,7
B 5 / A 3 (%)	12,6	11,9	20,8	23,0	14,9

(1) The production for a given calendar year *i* is taken as the quantity harvested in year *i* - 1.

(2) Including malt.

Sources: VI/C/1, VI/G/1, VI/G/2
SOEC/SPEL.

Table 10

BUTTER

Quantities covered by EAGGF-financed measures

EUR 10/EUR 12 from 1986

('000 t)

	1982	1983	1984	1985	1986
A.1. Production	2.109	2.301	2.115	2.032	2.170
2. Opening stocks (public and private)	147	306	853	949	1.124
3. Total	2.256	2.607	2.968	2.981	3.294
B. EAGGF intervention					
1. Public intervention	150	637	507	491	647
2. Private storage aid	363	261	226	225	164
3. Aid for disposal on internal market (1) of which: from intervention	568 29	504 38	631 190	545 155	343 219
4. Butter and butteroil exports (2) of which: - from intervention - food aid	400 - 54	355 - 21	378 114 59	387 148 36	332 105 35
5. Total	1.481	1.757	1.742	1.648	1.486
6. Total less quantities from intervention	1.452	1.719	1.438	1.345	1.162
C.1. B 6 / A 1 (%)	68,8	74,7	68,0	66,2	53,5
2. B 6 / A 3 (%)	64,4	65,9	48,5	45,1	35,3

(1) Including, up to 1985, general aids for human consumption

(2) Butter equivalent of butteroil (factor 1.22).

Table 11

SKIMMED MILK

Quantities covered by EAGGF-financed measures

EUR 10/EUR 12 from 1986

('000 t)

	1982	1983	1984	1985	1986
A.1. Available in dairies	48.919	53.060	48.977	X	X
2. Opening stocks (1)	3.069	6.336	10.813	6.787	5.720
3. Total	51.988	59.396	59.790	X	X
B. EAGGF measures					
1. Public intervention	5.123	9.582	4.287	2.720	6.655
2. Aid for disposal on internal market (2)	22.957	29.216	30.393	24.892	25.018
of which: from intervention	982	5.504	6.516	2.843	2.998
3. Exports	3.872	2.112	3.432	3.377	2.937
of which:					
- from intervention	616	256	1.071	409	309
- food aid	X	X	X	X	1.078
4. Total	31.952	40.910	38.112	30.989	34.610
5. Total less quantities from intervention	30.354	35.150	30.525	27.737	31.303
C.1. B 5 / A 1 (%)	65,3	77,1	77,8	X	X
2. B 5 / A 3 (%)	61,5	68,9	63,7	X	X

X = figures not available.

(1) Skimmed milk equivalent of skimmed-milk powder (factor 11).

(2) Including casein and liquid and powdered milk used as animal feed.

Table 12

BEEF/VEAL

Quantities covered by EAGGF-financed measures

EUR 10/EUR 12 from 1986

('000 t or head)

	1982	1983	1984	1985	1986
A.1. Production	6.658	6.935	7.541	7.396	7.997
2. Opening stocks					
- public	208	230	408	673	748
- private (2)	27	25	24	157	145
3. Total	6.893	7.190	7.973	8.226	8.890
B. EAGGF measures					
1. Public intervention	268	445	496	453	578
2. Private storage					
aid	25	24	276	285	172
3. Exports	480	603	790	805	1.167
of which: from intervention	:	:	:	:	:
4. Total	773	1.072	1.562	1.543	1.917
5. Total less quantities from intervention	:	:	:	:	:
6. Other disposal measures					
a) Suckler cow premium ('000 head)	5.065	5.120	5.463	5.500	5.843(1):
b) Calf premium ('000 head)	4.950	4.940	5.650	4.230	5.200
c) Slaughter premium (UK) ('000 head)	2.261	3.595	3.043	2.965	3.000
C.1. B 4 / A 1 (%)	11,6	15,5	20,7	20,9	24,0
2. B 4 / A 3 (%)	11,2	14,9	19,6	18,8	21,6

: = not available

(1) EUR 10 + Spain

(2) Estimate

Table 13

TABLE WINE

Quantities covered by EAGGF-financed measures

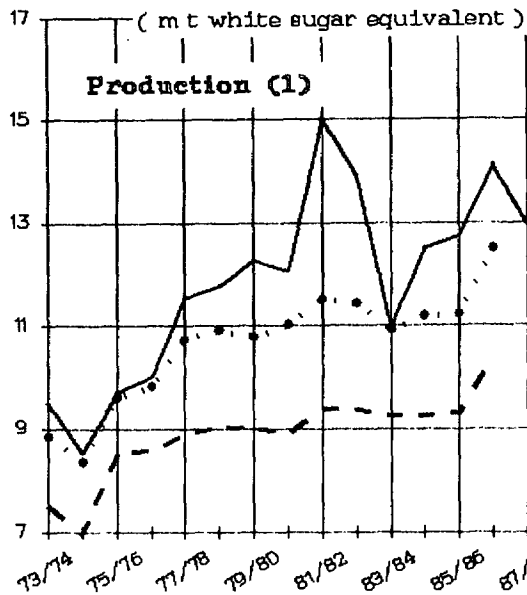
EUR 10

	(m hl)				
	1981/82	1982/83	1983/84	1984/85	1985/86
A.1. Production	140.1	171.9	168.2	147.7	140.0
of which:					
2. Table wine	104.0	111.5	115.6	104.8	92.5
3. Opening stocks	91.4	76.4	89.3	109.8	99.0
4. Total table wines	195.4	187.9	204.9	214.6	191.5
B. EAGGF measures					
1. Storage contracts	57.6	68.7	69.9	17.4	X
2. Total distillation:	13.9	22.9	37.2	29.9	29.2
- compulsory	0.7	4.2	5.1	9.8	7.0
- optional	13.2	18.7	32.1	20.1	22.2
3. Aid for using must:					
for enrichment	0.8	1.3	1.5	1.8	1.0
4. Exports	1.0	0.9	1.0	0.9	X
5. Total (1)	73.3	93.8	109.6	50.0	X
C.1. B 5 / A 1 (%)	52.3	54.6	65.2	33.9	X
2. B 5 / A 2 (%)	70.5	84.1	94.8	47.7	X
3. B 5 / A 4 (%)	37.5	49.9	53.5	23.3	X

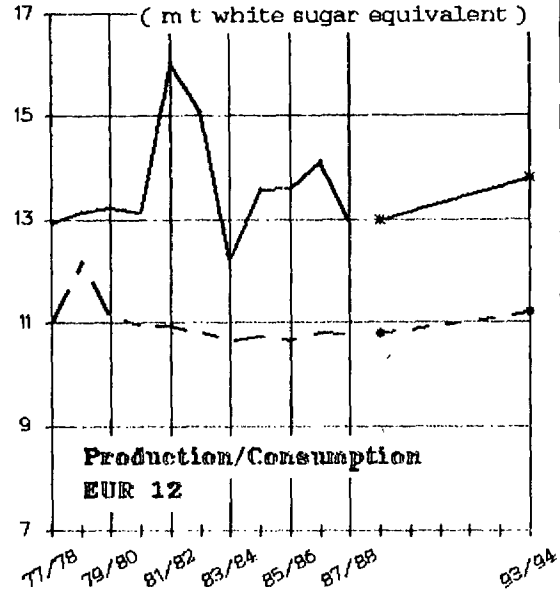
X = figures unavailable

(1) Some wine may be covered by two types of measure.

SUGAR

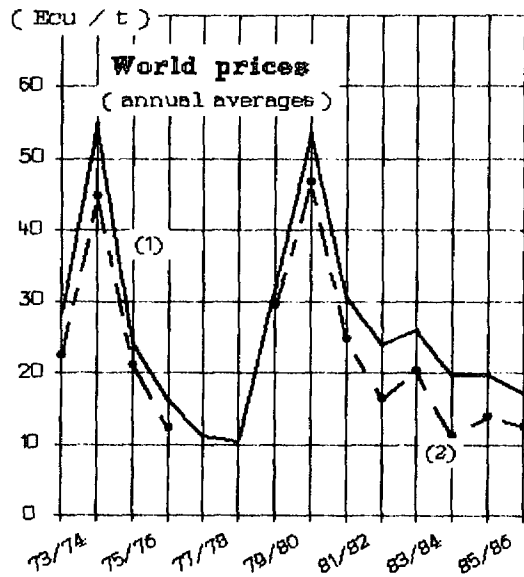


— Total production
 - - - Production A
 . . . Production A + B

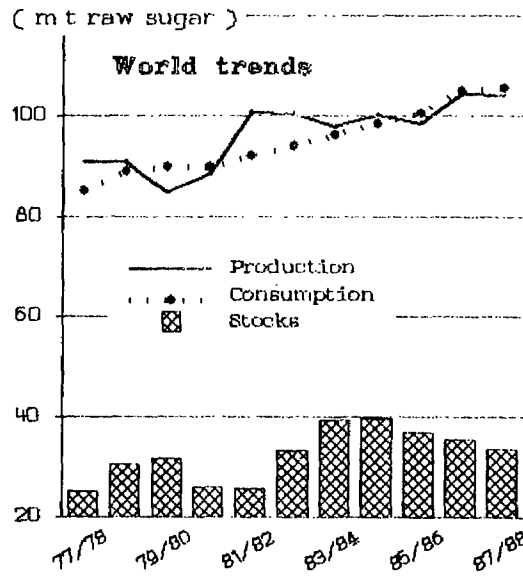


— Total production
 - - - Total consumption

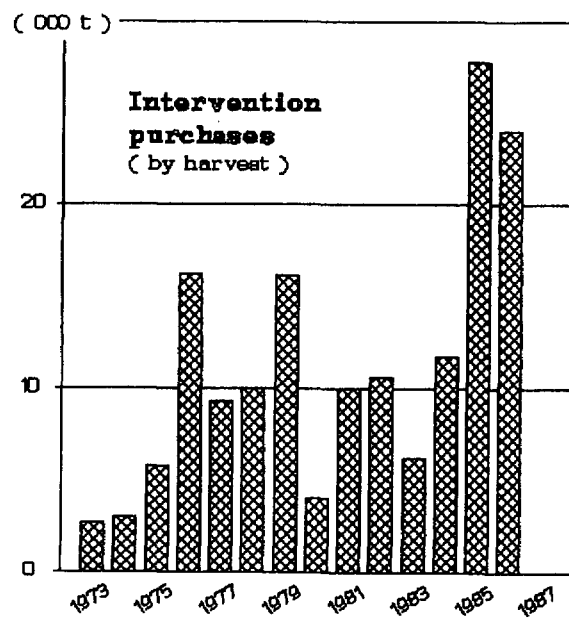
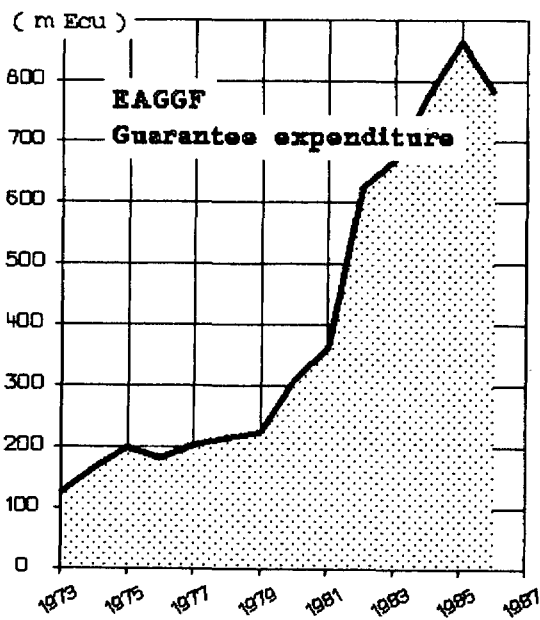
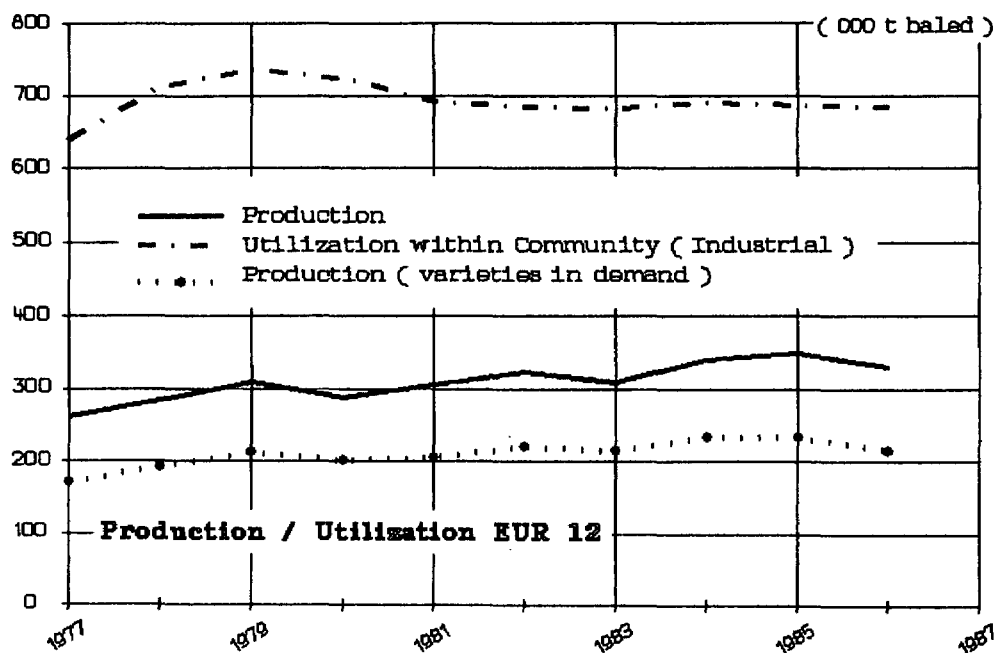
(1) 73/74 - 80/81 EUR 9 - 81/82 - 85/86 EUR 10 - since 86/87 EUR 12



(1) White sugar (Paris)
 (2) Raw sugar (New York)



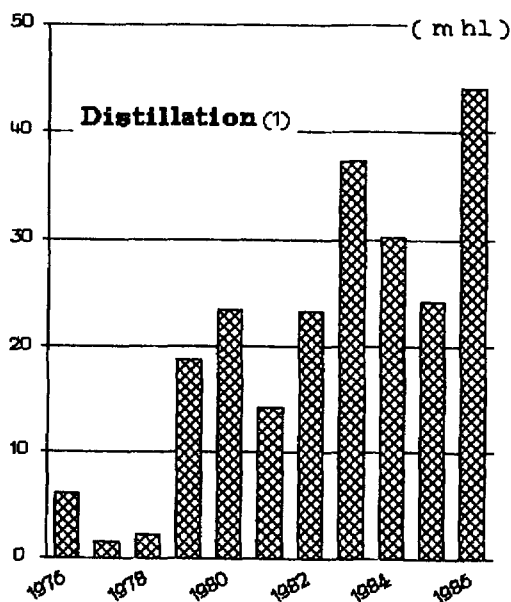
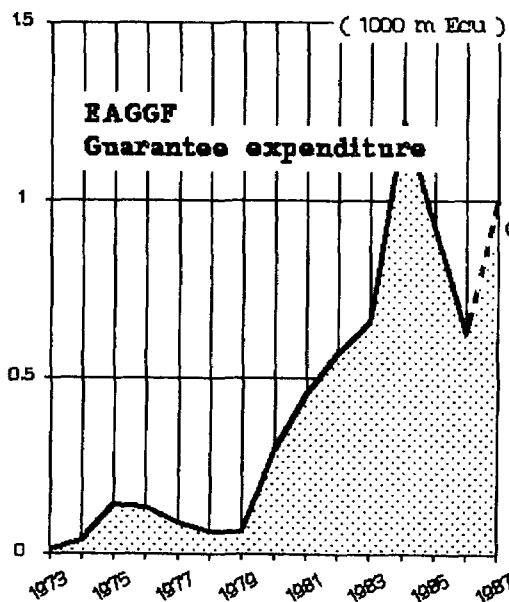
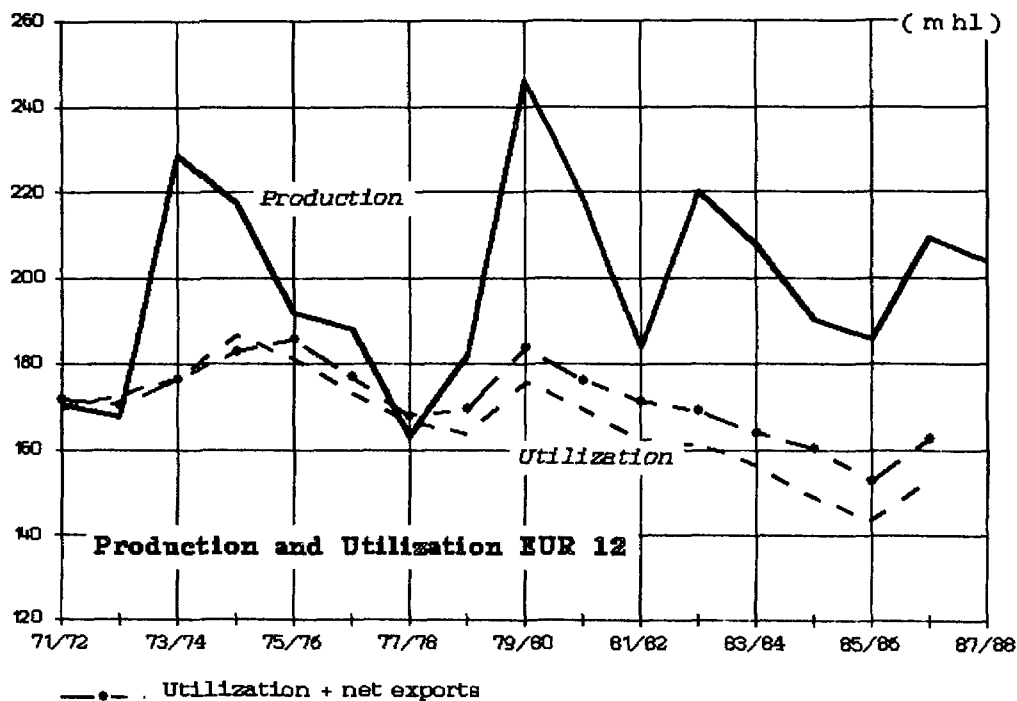
TOBACCO



1973 - 80 EUR 9 / 1981 - 85 EUR 10 / since 1986 EUR 12

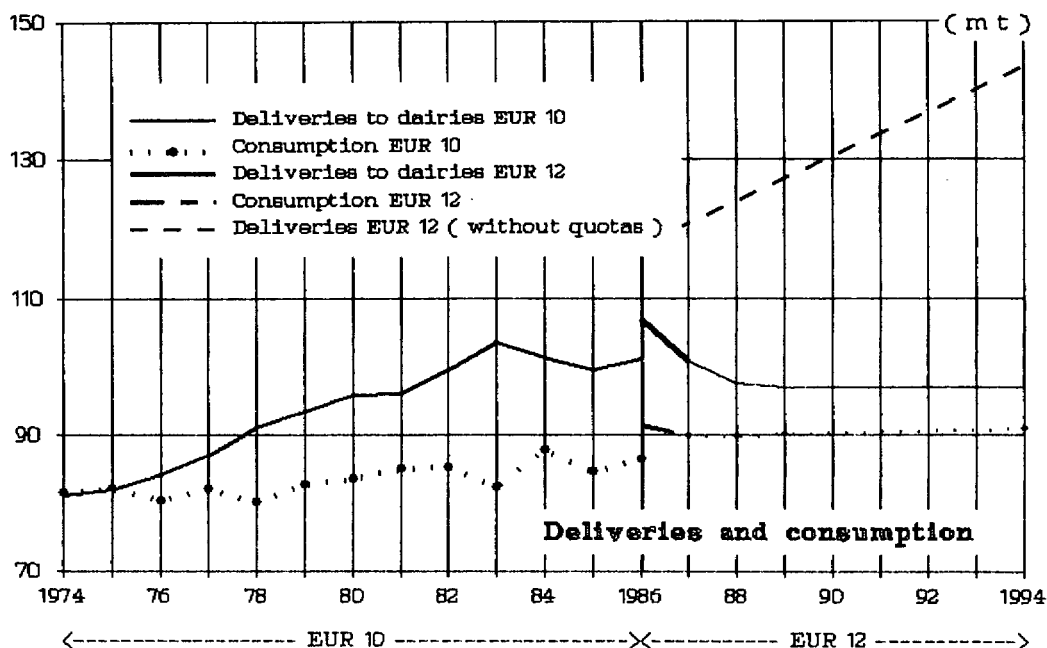
CEE DG VI A2 Mars 88 MO

WINE

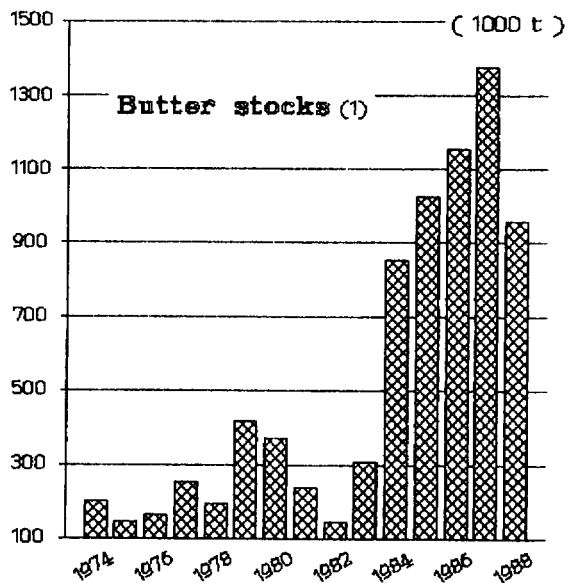
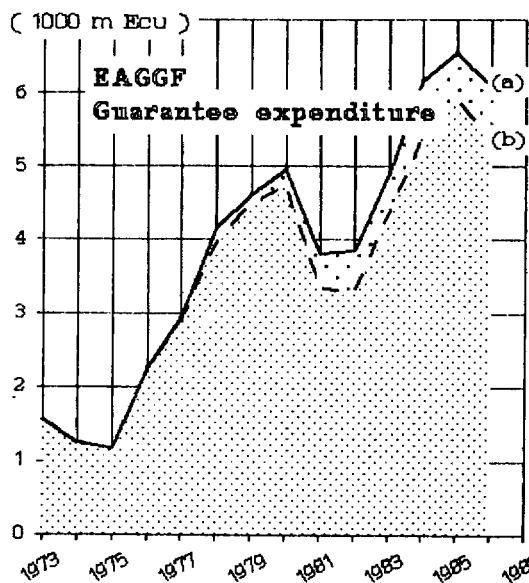


(1) Distillation under Community arrangements
(2) Estimate

MILK

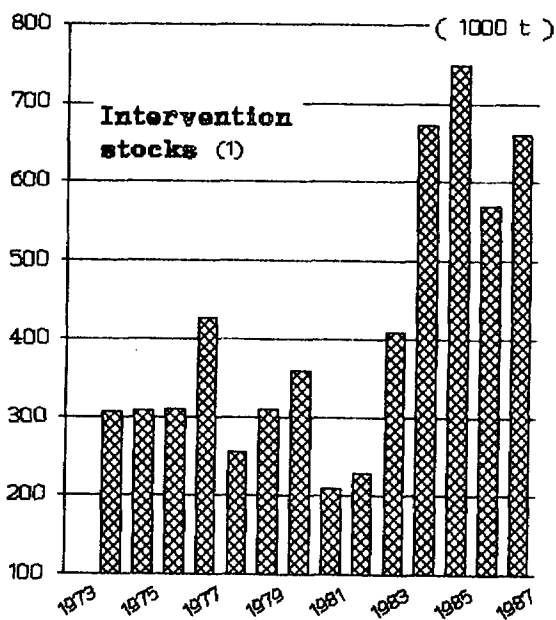
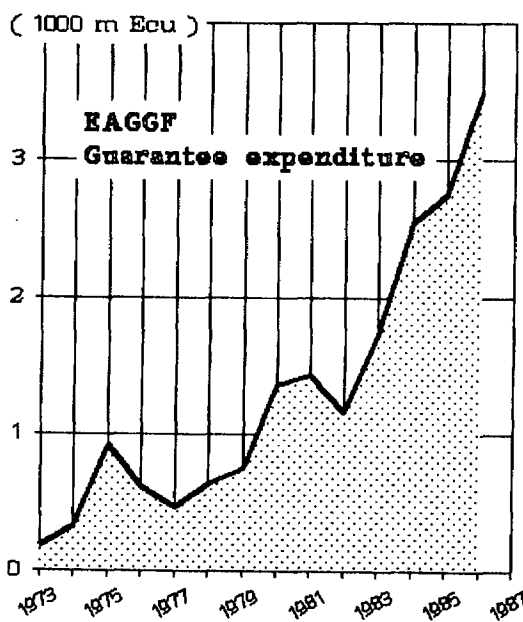
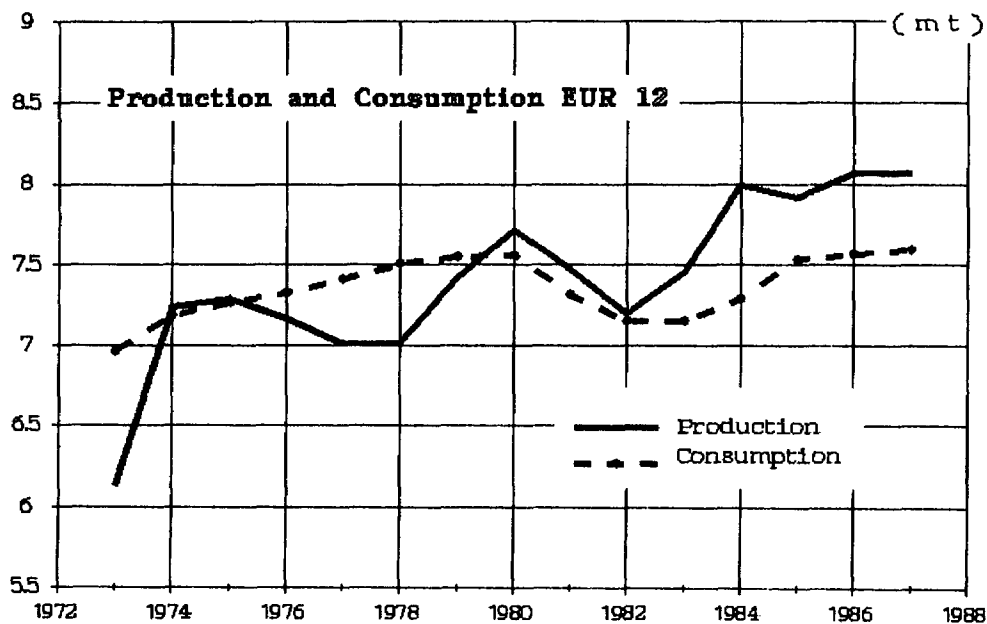


Consumption figures are the milk tonnage equivalent for all milk products together (calculated by reference to fat content)



- (a) Before deduction of co-responsibility levy
 (b) After deduction of co-responsibility levy
 (1) Public and private stocks at 1 january

BEEF / VEAL



(1) Carcase equivalent

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